



SHAWN T. WOODEN
TREASURER

State of Connecticut
Office of the Treasurer

DARRELL V. HILL
DEPUTY TREASURER

MEMORANDUM

TO: Members of Investment Advisory Council

FROM: Shawn T. Wooden, State Treasurer and Council Secretary

DATE: April 9, 2021

SUBJECT: Investment Advisory Council Meeting – April 14, 2021

Enclosed is the agenda package for the Investment Advisory Council meeting on Wednesday, April 14, 2021 starting at 9:00 A.M.

The following subjects will be covered at the meeting:

- Item 1: Approval of the Minutes of the March 10, 2021 IAC Meeting, the March 12, 2021 IAC Special Meeting, the April 6, 2021 IAC Special Meeting and the April 12, 2021 IAC Educational Discussion**
- Item 2: Opening Comments by the Treasurer**
- Item 3: Update on the Market and the CRPTF Performance**
Steven Meier, Interim Chief Investment Officer, will provide an update on the capital market environment and will report on the following:
- The CRPTF performance as of February 28, 2021
- Item 4: Presentation by and Consideration of Mesirow Financial Real Estate Value Fund IV**
Danita Johnson, Principal Investment Officer, will provide opening remarks and introduce Mesirow Financial Real Estate Value Fund IV, a Real Assets Fund opportunity.
- Item 5: Presentation by and Consideration of Penzance DC Real Estate Fund II**
Danita Johnson, Principal Investment Officer, will provide opening remarks and introduce Penzance DC Real Estate Fund II, a Real Assets Fund opportunity.
- Item 6: REITs Strategy Overview**
Olivia Wall, Investment Officer, will provide an overview of the REITs strategy.
- Item 7: Fixed Income and Public Equity Market Reviews**
Lyn Farris and Paul Osinloye, Principal Investment Officers, will provide reviews on the fixed income and public equity market portfolios.

Item 8: Other Business

- Review of the IAC Budget for fiscal years 2022 & 2023
- Discussion of the preliminary agenda for the May 12, 2021 IAC meeting

Item 9: Comments by the Chair

Item 10: Executive Session

- Consideration of personnel matters

We look forward to reviewing these agenda items with you at the April 14th meeting.

If you find that you are unable to attend this meeting, please email katrina.farquhar@ct.gov.

STW/kf

Enclosures

**SUCH MINUTES ARE IN DRAFT FORM AND SUBJECT TO THE FINAL REVIEW
AND APPROVAL OF THE INVESTMENT ADVISORY COUNCIL**

MEETING NO. 485

Members present:

* 1:51 pm departure

** 12:58 pm departure

D. Ellen Shuman, Chair
Treasurer Wooden, Secretary
Thomas Fiore, representing Secretary Melissa McCaw
Michael Knight*
Steven Muench
William Murray**
Patrick Sampson
Carol Thomas

Members absent:

Joshua Hall
Michael LeClair

Others present:

Steven Meier, Interim Chief Investment Officer
Kevin Cullinan, Chief Risk Officer
Patricia DeMaras, Legal Counsel
Mark Evans, Principal Investment Officer
Lyndsey Farris, Principal Investment Officer
John Flores, General Counsel
Karen Grenon, Legal Counsel
Darrell Hill, Deputy Treasurer
Barbara Housen, Chief Compliance Officer, Deputy General Counsel
Danita Johnson, Principal Investment Officer
Harvey Kelly, Pension Fund Analyst
Peter Gajowiak, Senior Investment Officer
Felicia Genca, Pension Fund Analyst
Raynald Leveque, Deputy Chief Investment Officer
Paul Osinloye, Principal Investment Officer
Veronica Sanders, Executive Secretary
Christine Shaw, Assistant Treasurer for Corporate Governance &
Sustainable Investment
Michael Terry, Principal Investment Officer
Olivia Wall, Investment Officer

Guests:

Greg Balewicz, Lord Abbett
Colin Bebee, Mekeat Investment Group
LaRoy Brantley, Meketa Investment Group
Ronan Burke, Capital Group
Judy Chambers, Meketa Investment Group
Dyice Ellis-Beckham, Invesco
Kieran McGlynn, Aberdeen Standard

Christopher Morgan, Franklin Templeton
Mary Mustard, Meketa Investment Group
Richard Ross, CT Resident
Don Triveline, Palisade Capital Management
Peter Wooley, Meketa Investment Group

With a quorum present, Chair D. Ellen Shuman called the Investment Advisory Council (“IAC”) meeting to order at 9:10 a.m.

Approval of Minutes of the February 10, 2021 IAC Meeting

Chair Shuman called for a motion to accept the minutes of the February 10, 2021 IAC meeting. **Mr. Muench moved to approve the minutes of the February 10, 2021 IAC meeting. The motion was seconded by Treasurer Wooden.** Patrick Sampson requested a change to the minutes. He was marked as departed at 10:52am but stayed for the entire session. With that, Chair Shuman called for another motion to accept the minutes of the February 10, 2021 IAC meeting. **Ms. Thomas moved to approve the minutes of the February 10, 2021 IAC meeting. The motion was seconded by Treasurer Wooden. There being no further discussion, the Chair called for a vote and the motion passed unanimously.**

Comments by the Treasurer

Treasurer Wooden welcomed IAC members and began by sharing a recent update regarding the Office’s new online unclaimed property management system. He stated that this online system is user-friendly and designed to give Connecticut citizens a transparent and efficient way to claim their money. Connecticut currently has more than \$914 million of unclaimed property that belongs to hard-working Connecticut families, businesses, and organizations and the goal is to put that money back in the hands of its rightful owners.

Next, Treasurer Wooden provided an update on the federal relief bill, stating that this relief package, referred to as the American Rescue Plan, is expected to be signed into law by the end of this week. As the American Rescue Plan stands now, Connecticut will receive \$10 billion in aid. From that total, an estimated \$2.6 billion will go toward state relief and an estimated \$1.6 billion will support local governments. This crucial funding will allow Connecticut to emerge from the pandemic and economic crisis in a much stronger position.

Then, Treasurer Wooden provided a brief overview of the financial markets before summarizing the full agenda for the meeting.

Presentation by and Consideration of the Finalists for the Alternative Investment Fund Risk Mitigating Strategies Consultant Search

Kevin Cullinan, Chief Risk Officer, provided opening remarks and introduced the three finalists for the Alternative Investment Fund (“AIF”) Risk Mitigating Strategies (“RMS”) Consultant search.

K2 Advisors, represented by Lilly Knight, Managing Director; Gordon Nicholson, Portfolio Manager; Jenny Johnson, CEO of Franklin Templeton; and JC Crousillat, Managing Director, made a presentation to the IAC.

BlackRock, represented by Zaneta Koplewicz, Managing Director; Aimee Hirata, Managing Director, Global Head of Product Strategy & Hedge Fund Advisory; Dave Matter, Managing Director, Co-Chief Investment Officer & Hedge Fund Advisory; and Diana Myint, Managing Director, Portfolio Manager & Hedge Fund Advisory, made a presentation to the IAC.

The RockCreek Group, represented by Alifia Doriwala, Managing Director; Afsaneh Beschloss, Founder and CEO; Ronnie van der Wouden, Managing Director; and Philip Ashton, Director, made a presentation to the IAC.

Roll Call of Reactions for the Finalists for the Alternative Investment Fund Risk Mitigating Strategies Consultant search.

Messrs. Fiore, Knight, Muench, Murray, Sampson, Ms. Thomas, and Chair Shuman provided feedback on the finalists for the AIF RMS Consultant search. There being no further discussion, Chair Shuman called for a motion to waive the 45-day comment period. **A motion was made by Ms. Thomas, seconded by Mr. Fiore, to waive the 45-day comment period for the three AIF RMS Consultant search finalists. The Chair called for a vote and the motion passed unanimously.**

Presentation by and Consideration of BlackRock Global Renewable Power Fund III

Danita Johnson, Principal Investment Officer (“PIO”), provided opening remarks and introduced BlackRock Global Renewable Power Fund III (“BlackRock”), a Real Assets Fund (“RAF”) opportunity.

BlackRock, represented by Zaneta Koplewicz, Managing Director; David Giordano, Managing Director, Global Head of Renewable Power; and Freek Spoorenberg, Director & Global Head of Product Strategy & Investor Relations, made a presentation to the IAC.

Roll Call of Reactions for the BlackRock Global Renewable Power Fund III RAF opportunity.

Messrs. Fiore, Knight, Muench, Murray, Sampson, Ms. Thomas, and Chair Shuman provided feedback on BlackRock. Chair Shuman called for a motion to waive the 45-day comment period. **A motion was made by Mr. Murray, seconded by Ms. Thomas, to waive the 45-day comment period for BlackRock. There being no additional discussion, the Chair called for a vote and the motion passed unanimously.**

Presentation by and Consideration of Rubicon First Ascent

Olivia Wall, Investment Officer, provided opening remarks and introduced Rubicon First Ascent (“Rubicon”), a RAF opportunity.

Rubicon, represented by Ani Vartanian, Managing Partner and Razmig Boladian, Managing Partner, made a presentation to the IAC.

Roll Call of Reactions for the Rubicon First Ascent RAF opportunity.

Messrs. Sampson, Fiore, Muench, Knight, Murray, Ms. Thomas, and Chair Shuman provided

feedback on Rubicon. Chair Shuman called for a motion to waive the 45-day comment period. **A motion was made by Ms. Thomas, seconded by Mr. Fiore, to waive the 45-day comment period for Rubicon. There being no discussion, the Chair called for a vote and the motion passed unanimously.**

Presentation by and Consideration of Stonepeak Infrastructure Fund IV

Ms. Johnson, PIO, provided opening remarks and introduced Stonepeak Infrastructure Fund IV (“Stonepeak”), a RAF opportunity.

Stonepeak, represented by Mike Dorrell, CEO and Co-founder; Jack Howell, Senior Managing Director & Executive Committee Member; Adrienne Saunders, Senior Managing Director & General Counsel; Kate Sampson, Head of Human Resources; and Brenden Woods, Senior Managing Director & Head of Client Relations, made a presentation to the IAC.

Roll Call of Reactions for the Stonepeak Infrastructure Fund IV RAF opportunity.

Messrs. Fiore, Knight, Sampson, Muench, Ms. Thomas, and Chair Shuman provided feedback on Rubicon. Chair Shuman called for a motion to waive the 45-day comment period. **A motion was made by Mr. Sampson, seconded by Mr. Muench, to waive the 45-day comment period for Stonepeak. There being no discussion, the Chair called for a vote and the motion passed unanimously.**

Presentation and Consideration for Approval by the Investment Advisory Council of the Treasurer’s Adopted Revisions to the CRPTF’s Domestic Proxy Voting Policies

Christine Shaw, Assistant Treasurer for Corporate Governance & Sustainable Investment, the Treasurer’s adopted revisions to the CRPTF’s Domestic Proxy Voting Policies, for consideration of approval by the Investment Advisory Council. Mr. Fiore, Ms. Thomas, and Chair Shuman provided comments on the update. Chair Shuman called for a motion to approve the revisions. **A motion was made by Mr. Sampson, seconded by Mr. Muench, to approve the Treasurer’s Adopted Revisions to the CRPTF’s Domestic Proxy Voting Policies. There being no additional discussion, the Chair called for a vote. Mr. Muench, Ms. Thomas, and Mr. Sampson voted in favor of the revisions. Mr. Fiore and Mr. Knight opposed. The motion passed.**

Ms. Shaw led an additional discussion around recent Environmental, Social, and Governance initiatives in the news as they relate to best practices and fiduciary duties.

Update on the Market and the Connecticut Retirement Plans and Trust Funds Performance for Month Ending January 31, 2021

Steven Meier, Interim Chief Investment Officer (“CIO”), provided an update on the Connecticut Retirement Plans and Trust Fund’s performance and commented on the capital market environment and the economic outlook.

Quarterly Performance Review

Steven Meier, Interim CIO, provided a quarterly performance review of the combined investment funds.

Other Business

Chair Shuman invited the council members to submit agenda items for the next meeting being held on April 14, 2021. A special meeting was proposed for Friday, March 12, 2021. Ms. Thomas suggested that the review of the IAC budget be postponed until then and the IAC agreed.

Comments by the Chair

There being no further business, Chair Shuman called for a motion to adjourn the meeting. **Mr. Muench moved to adjourn the meeting and the motion was seconded by Ms. Thomas. There being no discussion, the meeting was adjourned at 2:00 p.m.**

INVESTMENT ADVISORY COUNCIL

Friday, March 12, 2021

**SUCH MINUTES ARE IN DRAFT FORM AND SUBJECT TO THE FINAL REVIEW
AND APPROVAL OF THE INVESTMENT ADVISORY COUNCIL**

MEETING NO. 486

Members present: D. Ellen Shuman, Chair
Treasurer Wooden, Secretary
Thomas Fiore, representing Secretary Melissa McCaw
Michael Knight
William Murray
Carol Thomas

Members absent: Joshua Hall
Michael LeClair
Steven Muench
Patrick Sampson

Others present: Steven Meier, Interim Chief Investment Officer
Mark Evans, Principal Investment Officer
Katrina Farquhar, Executive Assistant
John Flores, General Counsel
Darrell Hill, Deputy Treasurer
Peter Gajowiak, Senior Investment Officer

Guests: Public Line

With a quorum present, Chair D. Ellen Shuman called the Investment Advisory Council (“IAC”) special meeting to order at 9:02 a.m.

Comments by the Treasurer

Treasurer Wooden welcomed the IAC members to the special meeting.

Executive Session

Chair Shuman asked for a motion to move into Executive Session. **A motion was made by Carol Thomas, seconded by William Murray that the Investment Advisory Council enter into Executive Session to consider a potential contractual matter at 9:04 a.m. The motion passed unanimously.** Darrell Hill, Deputy Treasurer; John Flores, General Counsel; Steven Meier, Interim Chief Investment Officer; Mark Evans, Principal Investment Officer; and Peter Gajowiak, Senior Investment Officer were invited to attend the Executive Session.

Chair Shuman reconvened the regular session at 9:31 a.m. **Chair Shuman noted that no substantive votes or actions were taken during the Executive Session.**

Consent to the Waive the 45-day Comment Period for the Potential Contractual Matter

Chair Shuman asked for a motion to waive the 45-day comment period for the potential contractual matter. **A motion was made by Mr. Murray, seconded by Ms. Thomas, to waive the 45-day comment period for the potential contractual matter. The motion passed unanimously.**

Other Business

Chair Shuman asked the members for feedback on the IAC budget as of December 31, 2020. The members discussed an adjustment to the budget allocation and requested the revised budget be reviewed and approved at the next meeting of the IAC.

Meeting Adjourned

There being no further business, Chair Shuman called for a motion to adjourn the meeting. **Mr. Murray moved to adjourn the meeting and the motion was seconded by Mr. Fiore. There being no discussion, the meeting was adjourned at 9:47 a.m.**

INVESTMENT ADVISORY COUNCIL

Tuesday, April 6, 2021

**SUCH MINUTES ARE IN DRAFT FORM AND SUBJECT TO THE FINAL REVIEW
AND APPROVAL OF THE INVESTMENT ADVISORY COUNCIL**

MEETING NO. 487

Members present: D. Ellen Shuman, Chair
Treasurer Wooden, Secretary
Thomas Fiore, representing Secretary Melissa McCaw
Michael Knight
William Murray
Patrick Sampson
Carol Thomas

Members absent: Joshua Hall
Michael LeClair
Steven Muench

Others present: Steven Meier, Interim Chief Investment Officer
Mark Evans, Principal Investment Officer
Katrina Farquhar, Executive Assistant
John Flores, General Counsel
Darrell Hill, Deputy Treasurer
Peter Gajowiak, Senior Investment Officer

Guests: Public Line

With a quorum present, Chair D. Ellen Shuman called the Investment Advisory Council (“IAC”) special meeting to order at 3:01 p.m.

Comments by the Treasurer

Treasurer Wooden welcomed the IAC members to the special meeting.

Executive Session

Chair Shuman asked for a motion to move into Executive Session. **A motion was made by Patrick Sampson, seconded by William Murray that the Investment Advisory Council enter into Executive Session to consider a potential contractual matter at 3:03 p.m. The motion passed unanimously.** Darrell Hill, Deputy Treasurer; John Flores, General Counsel; Steven Meier, Interim Chief Investment Officer; Mark Evans, Principal Investment Officer; and Peter Gajowiak, Senior Investment Officer were invited to attend the Executive Session.

Chair Shuman reconvened the regular session at 3:49 p.m. **Chair Shuman noted that no substantive votes or actions were taken during the Executive Session.**

Consent to the Waive the 45-day Comment Period for the Potential Contractual Matter

Chair Shuman asked for a motion to waive the 45-day comment period for the potential contractual matter. **A motion was made by Carol Thomas, seconded by Thomas Fiore, to waive the 45-day comment period for the potential contractual matter. The motion passed unanimously.**

Meeting Adjourned

There being no further business, Chair Shuman called for a motion to adjourn the meeting. **Mr. Murray moved to adjourn the meeting and the motion was seconded by Ms. Thomas. There being no discussion, the meeting was adjourned at 3:51 p.m.**



TEACHER'S RETIREMENT FUND

Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds <i>Benchmark</i>	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
Teacher's Retirement Fund	100.0%				\$20,729.0	0.96	4.26	15.95	0.88	16.16	7.52	10.12	7.34	7.55
<i>Policy Benchmark</i>						<i>1.90</i>	<i>3.87</i>	<i>17.44</i>	<i>1.66</i>	<i>17.03</i>	<i>8.35</i>	<i>10.74</i>	<i>7.66</i>	<i>7.82</i>
<i>Dynamic Benchmark</i>						<i>1.73</i>	<i>4.21</i>	<i>16.93</i>	<i>1.59</i>	<i>17.84</i>	<i>8.23</i>	<i>10.74</i>	<i>7.67</i>	<i>N/A</i>
Domestic Equity	22.5%	20.0	15.0	25.0	\$4,669.3	3.26	7.08	28.08	2.61	34.50	14.66	17.24	12.83	13.28
<i>Russell 3000</i>						<i>3.13</i>	<i>7.29</i>	<i>28.58</i>	<i>2.67</i>	<i>35.33</i>	<i>14.97</i>	<i>17.41</i>	<i>12.96</i>	<i>13.44</i>
Developed Markets ISF	13.0%	11.0	6.0	16.0	\$2,695.2	2.74	6.58	24.96	1.51	25.33	5.35	10.49	6.23	6.92
<i>MSCI EAFE IMI Net</i>						<i>2.30</i>	<i>6.36</i>	<i>24.32</i>	<i>1.32</i>	<i>23.70</i>	<i>6.55</i>	<i>10.81</i>	<i>6.61</i>	<i>6.94</i>
Emerging Markets ISF	12.9%	9.0	4.0	14.0	\$2,678.3	1.05	12.03	40.90	3.56	44.23	9.52	16.67	8.48	5.27
<i>MSCI Emerging Markets IMI</i>						<i>1.31</i>	<i>11.78</i>	<i>37.07</i>	<i>4.09</i>	<i>36.63</i>	<i>6.11</i>	<i>14.74</i>	<i>7.06</i>	<i>4.32</i>
Core Fixed Income	13.1%	13.0	8.0	18.0	\$2,717.8	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.24	3.49
<i>Barclays U.S. Aggregate Bond Index</i>						<i>-1.44</i>	<i>-2.02</i>	<i>-0.89</i>	<i>-2.15</i>	<i>1.38</i>	<i>5.32</i>	<i>3.55</i>	<i>3.47</i>	<i>3.58</i>
Emerging Market Debt	5.4%	5.0	0.0	10.0	\$1,123.9	-2.20	-0.08	7.93	-3.36	2.53	1.46	6.03	3.34	3.67
<i>50% JPM EMBI Global Div / 50% JPM GBI EM Global Div</i>						<i>-2.62</i>	<i>-1.08</i>	<i>5.27</i>	<i>-3.67</i>	<i>2.33</i>	<i>2.58</i>	<i>5.81</i>	<i>3.27</i>	<i>4.27</i>
High Yield	6.4%	3.0	0.0	8.0	\$1,323.5	0.74	3.56	13.87	1.29	10.78	6.16	8.54	4.89	5.96
<i>Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index</i>						<i>0.37</i>	<i>2.60</i>	<i>12.09</i>	<i>0.70</i>	<i>8.91</i>	<i>6.12</i>	<i>8.74</i>	<i>5.00</i>	<i>6.15</i>
Liquidity Fund	1.8%	2.0	0.0	3.0	\$363.0	0.01	0.02	0.11	0.01	0.35	1.57	1.50	0.97	0.77
<i>50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index</i>						<i>-0.03</i>	<i>0.02</i>	<i>0.09</i>	<i>-0.01</i>	<i>0.87</i>	<i>1.84</i>	<i>1.45</i>	<i>1.09</i>	<i>0.83</i>
Real Assets⁽¹⁾	11.0%	19.0	10.0	25.0	\$2,284.3	N/A	0.31	1.77	-0.17	0.44	4.60	5.72	7.47	8.35
<i>Blended Custom Benchmark 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>0.25</i>	<i>0.91</i>	<i>-0.50</i>	<i>3.51</i>	<i>5.28</i>	<i>6.38</i>	<i>8.05</i>	<i>9.42</i>
Private Investment⁽¹⁾	7.5%	10.0	5.0	15.0	\$1,562.8	N/A	4.54	18.77	0.52	15.63	15.71	13.22	13.44	13.03
<i>Russell 3000 + 250 basis points 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>6.21</i>	<i>47.29</i>	<i>9.93</i>	<i>29.17</i>	<i>15.54</i>	<i>17.69</i>	<i>13.63</i>	<i>13.85</i>
Private Credit⁽¹⁾	0.7%	5.0	0.0	10.0	\$141.5	N/A	2.87	11.64	2.87	N/A	N/A	N/A	N/A	N/A
<i>S&P / LSTA Leveraged Loan Index + 150 basis points 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>3.43</i>	<i>18.09</i>	<i>2.66</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Alternative Investment Fund	5.6%	3.0	0.0	10.0	\$1,169.6	1.77	2.69	7.25	0.77	0.32	2.69	3.58	2.67	3.07
<i>Absolute Return Strategy blended benchmark⁽³⁾</i>						<i>0.22</i>	<i>0.71</i>	<i>1.78</i>	<i>0.22</i>	<i>3.80</i>	<i>4.34</i>	<i>2.86</i>	<i>2.05</i>	<i>1.46</i>

⁽¹⁾ Actual performance, reported one quarter in arrears.

⁽²⁾ A blended benchmark comprised of the weightings of Real Estate, Infrastructure / Natural Resources and U.S. TIPS as of April 2020.

⁽³⁾ A blended benchmark comprised of the weightings of each of the investments utilized within the fund of funds vehicle multiplied by their respective benchmarks as of April 2020.



STATE EMPLOYEES' RETIREMENT FUND

Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds <i>Benchmark</i>	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
State Employees' Retirement Fund	100.0%				\$15,222.5	0.96	4.24	16.02	0.88	16.29	7.61	10.17	7.40	7.59
<i>Policy Benchmark</i>						<i>1.90</i>	<i>3.87</i>	<i>17.44</i>	<i>1.66</i>	<i>17.03</i>	<i>8.36</i>	<i>10.74</i>	<i>7.67</i>	<i>7.83</i>
<i>Dynamic Benchmark</i>						<i>1.74</i>	<i>4.20</i>	<i>17.01</i>	<i>1.59</i>	<i>18.01</i>	<i>8.30</i>	<i>10.83</i>	<i>7.78</i>	<i>N/A</i>
Domestic Equity	22.3%	20.0	15.0	25.0	\$3,401.1	3.26	7.08	28.08	2.61	34.50	14.66	17.24	12.83	13.28
<i>Russell 3000</i>						<i>3.13</i>	<i>7.29</i>	<i>28.58</i>	<i>2.67</i>	<i>35.33</i>	<i>14.97</i>	<i>17.41</i>	<i>12.96</i>	<i>13.44</i>
Developed Markets ISF	12.9%	11.0	6.0	16.0	\$1,969.0	2.74	6.58	24.96	1.51	25.33	5.35	10.49	6.23	6.92
<i>MSCI EAFE IMI Net</i>						<i>2.30</i>	<i>6.36</i>	<i>24.32</i>	<i>1.32</i>	<i>23.70</i>	<i>6.55</i>	<i>10.81</i>	<i>6.61</i>	<i>6.94</i>
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<i>MSCI Emerging Markets IMI</i>						<i>1.31</i>	<i>11.78</i>	<i>37.07</i>	<i>4.09</i>	<i>36.63</i>	<i>6.11</i>	<i>14.74</i>	<i>7.06</i>	<i>4.32</i>
Core Fixed Income	13.0%	13.0	8.0	18.0	\$1,982.5	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.23	3.49
<i>Barclays U.S. Aggregate Bond Index</i>						<i>-1.44</i>	<i>-2.02</i>	<i>-0.89</i>	<i>-2.15</i>	<i>1.38</i>	<i>5.32</i>	<i>3.55</i>	<i>3.47</i>	<i>3.58</i>
Emerging Market Debt	5.4%	5.0	0.0	10.0	\$819.9	-2.20	-0.08	7.93	-3.36	2.53	1.46	6.03	3.34	3.67
<i>50% JPM EMBI Global Div / 50% JPM GBI EM Global Div</i>						<i>-2.62</i>	<i>-1.08</i>	<i>5.27</i>	<i>-3.67</i>	<i>2.33</i>	<i>2.58</i>	<i>5.81</i>	<i>3.27</i>	<i>4.27</i>
High Yield	6.3%	3.0	0.0	8.0	\$963.4	0.74	3.56	13.87	1.29	10.78	6.16	8.54	4.89	5.96
<i>Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index</i>						<i>0.37</i>	<i>2.60</i>	<i>12.09</i>	<i>0.70</i>	<i>8.91</i>	<i>6.12</i>	<i>8.74</i>	<i>5.00</i>	<i>6.15</i>
Liquidity Fund	2.4%	2.0	0.0	3.0	\$368.0	0.00	0.02	0.11	0.01	0.35	1.57	1.51	0.97	0.77
<i>50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index</i>						<i>-0.03</i>	<i>0.02</i>	<i>0.09</i>	<i>-0.01</i>	<i>0.87</i>	<i>1.84</i>	<i>1.45</i>	<i>1.09</i>	<i>0.83</i>
Real Assets⁽¹⁾	10.9%	19.0	10.0	25.0	\$1,658.7	N/A	0.31	1.77	-0.17	0.43	4.60	5.72	7.47	8.35
<i>Blended Custom Benchmark 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>0.25</i>	<i>0.91</i>	<i>-0.50</i>	<i>3.51</i>	<i>5.28</i>	<i>6.38</i>	<i>8.05</i>	<i>9.42</i>
Private Investment⁽¹⁾	7.5%	10.0	5.0	15.0	\$1,143.5	N/A	4.54	18.77	0.52	15.63	15.71	13.22	13.44	13.03
<i>Russell 3000 + 250 basis points 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>6.21</i>	<i>47.29</i>	<i>9.93</i>	<i>29.17</i>	<i>15.54</i>	<i>17.69</i>	<i>13.63</i>	<i>13.85</i>
Private Credit⁽¹⁾	0.7%	5.0	0.0	10.0	\$103.4	N/A	2.87	11.64	2.87	N/A	N/A	N/A	N/A	N/A
<i>S&P / LSTA Leveraged Loan Index + 150 basis points 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>3.43</i>	<i>18.09</i>	<i>2.66</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Alternative Investment Fund	5.6%	3.0	0.0	8.0	\$855.7	1.77	2.69	7.25	0.77	0.32	2.69	3.58	2.67	3.07
<i>Absolute Return Strategy blended benchmark⁽³⁾</i>						<i>0.22</i>	<i>0.71</i>	<i>1.78</i>	<i>0.22</i>	<i>3.80</i>	<i>4.34</i>	<i>2.86</i>	<i>2.05</i>	<i>1.46</i>

⁽¹⁾ Actual performance, reported one quarter in arrears.

⁽²⁾ A blended benchmark comprised of the weightings of Real Estate, Infrastructure / Natural Resources and U.S. TIPS as of April 2020.

⁽³⁾ A blended benchmark comprised of the weightings of each of the investments utilized within the fund of funds vehicle multiplied by their respective benchmarks as of April 2020.



MUNICIPAL EMPLOYEES RETIREMENT FUND

Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds <i>Benchmark</i>	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
Municipal Employees' Retirement Fund <i>Policy Benchmark</i> <i>Dynamic Benchmark</i>	100.0%				\$3,085.0	0.96 1.90 1.74	4.26 3.87 4.22	16.02 17.44 17.02	0.88 1.66 1.59	16.30 17.03 18.02	7.81 8.38 8.47	9.84 10.39 10.45	7.20 7.34 7.45	7.24 7.57 N/A
Domestic Equity <i>Russell 3000</i>	22.5%	20.0	15.0	25.0	\$692.8	3.26 3.13	7.08 7.29	28.08 28.58	2.61 2.67	34.50 35.33	14.66 14.97	17.24 17.41	12.83 12.96	13.28 13.44
Developed Markets ISF <i>MSCI EAFE IMI Net</i>	13.0%	11.0	6.0	16.0	\$401.9	2.74 2.30	6.58 6.36	24.96 24.32	1.51 1.32	25.33 23.70	5.35 6.55	10.49 10.81	6.23 6.61	6.92 6.94
Emerging Markets ISF <i>MSCI Emerging Markets IMI</i>	12.9%	9.0	4.0	14.0	\$397.3	1.05 1.31	12.03 11.78	40.90 37.07	3.56 4.09	44.23 36.63	9.52 6.11	16.67 14.74	8.48 7.06	5.27 4.32
Core Fixed Income <i>Barclays U.S. Aggregate Bond Index</i>	13.1%	13.0	8.0	18.0	\$403.5	-1.67 -1.44	-2.09 -2.02	-0.55 -0.89	-2.32 -2.15	1.88 1.38	4.93 5.32	3.69 3.55	3.23 3.47	3.49 3.58
Emerging Market Debt <i>50% JPM EMBI Global Div / 50% JPM GBI EM Global Div</i>	5.4%	5.0	0.0	10.0	\$167.3	-2.20 -2.62	-0.08 -1.08	7.93 5.27	-3.36 -3.67	2.53 2.33	1.46 2.58	6.03 5.81	3.34 3.27	3.67 4.27
High Yield <i>Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index</i>	6.3%	3.0	0.0	8.0	\$195.6	0.74 0.37	3.56 2.60	13.87 12.09	1.29 0.70	10.78 8.91	6.16 6.12	8.54 8.74	4.89 5.00	5.96 6.15
Liquidity Fund <i>50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index</i>	2.1%	2.0	0.0	3.0	\$64.6	0.01 -0.03	0.02 0.02	0.11 0.09	0.01 -0.01	0.35 0.87	1.57 1.84	1.51 1.45	0.97 1.09	0.78 0.83
Real Assets⁽¹⁾ <i>Blended Custom Benchmark 1Q in Arrears⁽²⁾</i>	10.9%	19.0	15.0	25.0	\$337.3	N/A N/A	0.31 0.25	1.77 0.91	-0.17 -0.50	0.44 3.51	4.60 5.28	5.72 6.38	7.47 8.05	8.35 9.42
Private Investment⁽¹⁾ <i>Russell 3000 + 250 basis points 1Q in Arrears⁽²⁾</i>	7.5%	10.0	5.0	15.0	\$231.5	N/A N/A	4.54 6.21	18.77 47.29	0.52 9.93	15.63 29.17	15.71 15.54	13.22 17.69	13.44 13.63	13.03 13.85
Private Credit⁽¹⁾ <i>S&P / LSTA Leveraged Loan Index + 150 basis points 1Q in Arrears⁽²⁾</i>	0.7%	5.0	0.0	10.0	\$21.0	N/A N/A	2.87 3.43	11.64 18.09	2.87 2.66	N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A
Alternative Investment Fund <i>Absolute Return Strategy blended benchmark⁽³⁾</i>	5.6%	3.0	0.0	10.0	\$172.2	1.77 0.22	2.69 0.71	7.25 1.78	0.77 0.22	0.32 3.80	2.69 4.34	3.58 2.86	2.67 2.05	3.07 1.46

⁽¹⁾ Actual performance, reported one quarter in arrears.

⁽²⁾ A blended benchmark comprised of the weightings of Real Estate, Infrastructure / Natural Resources and U.S. TIPS as of April 2020.

⁽³⁾ A blended benchmark comprised of the weightings of each of the investments utilized within the fund of funds vehicle multiplied by their respective benchmarks as of April 2020.



OPEB FUND
Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds <i>Benchmark</i>	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
OPEB	100.0%				\$1,815.9	0.97	4.30	16.18	0.89	16.44	8.28	9.44	7.22	N/A
<i>Policy Benchmark</i>						<i>1.90</i>	<i>3.87</i>	<i>17.44</i>	<i>1.66</i>	<i>17.03</i>	<i>8.76</i>	<i>9.88</i>	<i>7.43</i>	<i>N/A</i>
<i>Dynamic Benchmark</i>						<i>1.77</i>	<i>4.27</i>	<i>17.20</i>	<i>1.62</i>	<i>18.14</i>	<i>9.13</i>	<i>10.08</i>	<i>7.58</i>	<i>N/A</i>
Domestic Equity	22.4%	20.0	15.0	25.0	\$406.9	3.26	7.08	28.08	2.61	34.50	14.67	17.24	12.83	N/A
<i>Russell 3000</i>						<i>3.13</i>	<i>7.29</i>	<i>28.58</i>	<i>2.67</i>	<i>35.33</i>	<i>14.97</i>	<i>17.41</i>	<i>12.96</i>	<i>N/A</i>
Developed Markets ISF	13.1%	11.0	6.0	15.0	\$237.0	2.74	6.58	24.96	1.51	25.33	5.36	10.50	6.23	N/A
<i>MSCI EAFE IMI Net</i>						<i>2.30</i>	<i>6.36</i>	<i>24.32</i>	<i>1.32</i>	<i>23.70</i>	<i>6.55</i>	<i>10.81</i>	<i>6.61</i>	<i>N/A</i>
Emerging Markets ISF	12.9%	9.0	4.0	14.0	\$233.6	1.05	12.03	40.90	3.56	44.23	9.52	16.67	8.48	N/A
<i>MSCI Emerging Markets IMI</i>						<i>1.31</i>	<i>11.78</i>	<i>37.07</i>	<i>4.09</i>	<i>36.63</i>	<i>6.11</i>	<i>14.74</i>	<i>7.06</i>	<i>N/A</i>
Core Fixed Income	13.0%	13.0	8.0	18.0	\$236.3	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.24	N/A
<i>Barclays U.S. Aggregate Bond Index</i>						<i>-1.44</i>	<i>-2.02</i>	<i>-0.89</i>	<i>-2.15</i>	<i>1.38</i>	<i>5.32</i>	<i>3.55</i>	<i>3.47</i>	<i>N/A</i>
Emerging Market Debt	5.3%	5.0	0.0	10.0	\$96.5	-2.20	-0.08	7.92	-3.36	2.53	1.46	6.03	3.35	N/A
<i>50% JPM EMBI Global Div / 50% JPM GBI EM Global Div</i>						<i>-2.62</i>	<i>-1.08</i>	<i>5.27</i>	<i>-3.67</i>	<i>2.33</i>	<i>2.58</i>	<i>5.81</i>	<i>3.27</i>	<i>N/A</i>
High Yield	6.3%	3.0	0.0	8.0	\$114.8	0.74	3.56	13.87	1.29	10.78	6.16	8.53	4.89	N/A
<i>Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index</i>						<i>0.37</i>	<i>2.60</i>	<i>12.09</i>	<i>0.70</i>	<i>8.91</i>	<i>6.12</i>	<i>8.74</i>	<i>5.00</i>	<i>N/A</i>
Liquidity Fund	2.3%	2.0	0.0	3.0	\$41.5	0.00	0.02	0.11	0.01	0.36	1.59	1.56	1.01	N/A
<i>50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index</i>						<i>-0.03</i>	<i>0.02</i>	<i>0.09</i>	<i>-0.01</i>	<i>0.87</i>	<i>1.84</i>	<i>1.45</i>	<i>1.09</i>	<i>N/A</i>
Real Assets⁽¹⁾	10.8%	19.0	15.0	25.0	\$195.7	N/A	0.31	1.77	-0.17	0.43	4.60	5.72	7.47	N/A
<i>Blended Custom Benchmark 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>0.25</i>	<i>0.91</i>	<i>-0.50</i>	<i>3.51</i>	<i>5.28</i>	<i>6.38</i>	<i>8.05</i>	<i>N/A</i>
Private Investment⁽¹⁾	7.6%	10.0	5.0	15.0	\$137.9	N/A	4.54	18.77	0.52	15.63	15.71	13.23	13.45	N/A
<i>Russell 3000 + 250 basis points 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>6.21</i>	<i>47.29</i>	<i>9.93</i>	<i>29.17</i>	<i>15.54</i>	<i>17.69</i>	<i>13.63</i>	<i>N/A</i>
Private Credit⁽¹⁾	0.8%	5.0	0.0	10.0	\$15.2	N/A	2.87	11.64	2.87	N/A	N/A	N/A	N/A	N/A
<i>S&P / LSTA Leveraged Loan Index + 150 basis points 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>3.43</i>	<i>18.09</i>	<i>2.66</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Alternative Investment Fund	5.5%	3.0	0.0	10.0	\$100.5	1.77	2.69	7.25	0.77	0.32	2.69	3.58	2.67	N/A
<i>Absolute Return Strategy blended benchmark⁽³⁾</i>						<i>0.22</i>	<i>0.71</i>	<i>1.78</i>	<i>0.22</i>	<i>3.80</i>	<i>4.34</i>	<i>2.86</i>	<i>2.05</i>	<i>N/A</i>

⁽¹⁾ Actual performance, reported one quarter in arrears.

⁽²⁾ A blended benchmark comprised of the weightings of Real Estate, Infrastructure / Natural Resources and U.S. TIPS as of April 2020.

⁽³⁾ A blended benchmark comprised of the weightings of each of the investments utilized within the fund of funds vehicle multiplied by their respective benchmarks as of April 2020.



PROBATE JUDGES EMPLOYEES' RETIREMENT FUND

Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds <i>Benchmark</i>	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
Probate Judges Employees' Retirement Fund	100.0%				\$126.2	0.96	4.25	16.03	0.88	16.21	7.72	9.85	7.19	7.28
<i>Policy Benchmark</i>						<i>1.90</i>	<i>3.87</i>	<i>17.44</i>	<i>1.66</i>	<i>17.03</i>	<i>8.38</i>	<i>10.50</i>	<i>7.40</i>	<i>7.65</i>
<i>Dynamic Benchmark</i>						<i>1.74</i>	<i>4.20</i>	<i>17.01</i>	<i>1.59</i>	<i>17.97</i>	<i>8.51</i>	<i>10.59</i>	<i>7.54</i>	<i>N/A</i>
Domestic Equity	22.5%	20.0	15.0	25.0	\$28.4	3.26	7.08	28.08	2.61	34.50	14.66	17.24	12.83	13.28
<i>Russell 3000</i>						<i>3.13</i>	<i>7.29</i>	<i>28.58</i>	<i>2.67</i>	<i>35.33</i>	<i>14.97</i>	<i>17.41</i>	<i>12.96</i>	<i>13.44</i>
Developed Markets ISF	13.0%	11.0	6.0	16.0	\$16.4	2.74	6.58	24.96	1.51	25.33	5.35	10.49	6.23	6.92
<i>MSCI EAFE IMI</i>						<i>2.30</i>	<i>6.36</i>	<i>24.32</i>	<i>1.32</i>	<i>23.70</i>	<i>6.55</i>	<i>10.81</i>	<i>6.61</i>	<i>6.94</i>
Emerging Markets ISF	12.9%	9.0	4.0	14.0	\$16.2	1.05	12.03	40.90	3.56	44.23	9.52	16.66	8.48	5.27
<i>MSCI Emerging Markets IMI</i>						<i>1.31</i>	<i>11.78</i>	<i>37.07</i>	<i>4.09</i>	<i>36.63</i>	<i>6.11</i>	<i>14.74</i>	<i>7.06</i>	<i>4.32</i>
Core Fixed Income	13.1%	13.0	8.0	18.0	\$16.6	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.23	3.49
<i>Barclays U.S. Aggregate Bond Index</i>						<i>-1.44</i>	<i>-2.02</i>	<i>-0.89</i>	<i>-2.15</i>	<i>1.38</i>	<i>5.32</i>	<i>3.55</i>	<i>3.47</i>	<i>3.58</i>
Emerging Market Debt	5.4%	5.0	0.0	10.0	\$6.8	-2.20	-0.08	7.93	-3.36	2.53	1.45	6.02	3.34	3.68
<i>50% JPM EMBI Global Div / 50% JPM GBI EM Global Div</i>						<i>-2.62</i>	<i>-1.08</i>	<i>5.27</i>	<i>-3.67</i>	<i>2.33</i>	<i>2.58</i>	<i>5.81</i>	<i>3.27</i>	<i>4.27</i>
High Yield	6.3%	3.0	0.0	8.0	\$8.0	0.74	3.56	13.87	1.29	10.78	6.16	8.54	4.89	5.96
<i>Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index</i>						<i>0.37</i>	<i>2.60</i>	<i>12.09</i>	<i>0.70</i>	<i>8.91</i>	<i>6.12</i>	<i>8.74</i>	<i>5.00</i>	<i>6.15</i>
Liquidity Fund	2.1%	2.0	0.0	3.0	\$2.7	0.01	0.02	0.11	0.01	0.35	1.57	1.50	0.97	0.77
<i>50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index</i>						<i>-0.03</i>	<i>0.02</i>	<i>0.09</i>	<i>-0.01</i>	<i>0.87</i>	<i>1.84</i>	<i>1.45</i>	<i>1.09</i>	<i>0.83</i>
Real Assets⁽¹⁾	10.9%	19.0	15.0	25.0	\$13.8	N/A	0.31	1.77	-0.17	0.44	4.60	5.72	7.47	8.35
<i>Blended Custom Benchmark 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>0.25</i>	<i>0.91</i>	<i>-0.50</i>	<i>3.51</i>	<i>5.28</i>	<i>6.38</i>	<i>8.05</i>	<i>9.42</i>
Private Investment⁽¹⁾	7.5%	10.0	5.0	15.0	\$9.5	N/A	4.54	18.77	0.52	15.63	15.71	13.22	13.44	13.03
<i>Russell 3000 + 250 basis points 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>6.21</i>	<i>47.29</i>	<i>9.93</i>	<i>29.17</i>	<i>15.54</i>	<i>17.69</i>	<i>13.63</i>	<i>13.85</i>
Private Credit⁽¹⁾	0.7%	5.0	0.0	10.0	\$0.8	N/A	2.87	11.64	2.87	N/A	N/A	N/A	N/A	N/A
<i>S&P / LSTA Leveraged Loan Index + 150 basis points 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>3.43</i>	<i>18.09</i>	<i>2.66</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Alternative Investment Fund	5.6%	3.0	0.0	10.0	\$7.1	1.77	2.69	7.25	0.77	0.32	2.69	3.58	2.67	3.07
<i>Absolute Return Strategy blended benchmark⁽³⁾</i>						<i>0.22</i>	<i>0.71</i>	<i>1.78</i>	<i>0.22</i>	<i>3.80</i>	<i>4.34</i>	<i>2.86</i>	<i>2.05</i>	<i>1.46</i>

⁽¹⁾ Actual performance, reported one quarter in arrears.

⁽²⁾ A blended benchmark comprised of the weightings of Real Estate, Infrastructure / Natural Resources and U.S. TIPS as of April 2020.

⁽³⁾ A blended benchmark comprised of the weightings of each of the investments utilized within the fund of funds vehicle multiplied by their respective benchmarks as of April 2020.



STATE JUDGES RETIREMENT FUND

Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds <i>Benchmark</i>	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
State Judges Retirement Fund	100.0%				\$275.4	0.96	4.25	16.00	0.88	16.22	7.81	9.85	7.21	7.35
<i>Policy Benchmark</i>						1.90	3.87	17.44	1.66	17.03	8.38	10.39	7.34	7.57
<i>Dynamic Benchmark</i>						1.73	4.20	16.98	1.58	17.98	8.59	10.53	7.51	N/A
Domestic Equity	22.4%	20.0	15.0	25.0	\$61.6	3.26	7.08	28.08	2.61	34.50	14.66	17.24	12.83	13.28
<i>Russell 3000</i>						3.13	7.29	28.58	2.67	35.33	14.97	17.41	12.96	13.44
Developed Markets ISF	13.0%	11.0	6.0	16.0	\$35.8	2.74	6.58	24.96	1.51	25.33	5.35	10.49	6.23	6.92
<i>MSCI EAFE IMI Net</i>						2.30	6.36	24.32	1.32	23.70	6.55	10.81	6.61	6.94
Emerging Markets ISF	12.9%	9.0	4.0	14.0	\$35.4	1.05	12.03	40.90	3.56	44.23	9.52	16.67	8.48	5.27
<i>MSCI Emerging Markets IMI</i>						1.31	11.78	37.07	4.09	36.63	6.11	14.74	7.06	4.32
Core Fixed Income	13.1%	13.0	8.0	18.0	\$36.0	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.23	3.49
<i>Barclays U.S. Aggregate Bond Index</i>						-1.44	-2.02	-0.89	-2.15	1.38	5.32	3.55	3.47	3.58
Emerging Market Debt	5.4%	5.0	0.0	10.0	\$14.9	-2.20	-0.08	7.93	-3.36	2.53	1.46	6.03	3.34	3.68
<i>50% JPM EMBI Global Div / 50% JPM GBI EM Global Div</i>						-2.62	-1.08	5.27	-3.67	2.33	2.58	5.81	3.27	4.27
High Yield	6.3%	3.0	0.0	8.0	\$17.4	0.74	3.56	13.87	1.29	10.78	6.16	8.54	4.89	5.96
<i>Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index</i>						0.37	2.60	12.09	0.70	8.91	6.12	8.74	5.00	6.15
Liquidity Fund	2.3%	2.0	0.0	3.0	\$6.4	0.00	0.02	0.11	0.01	0.35	1.57	1.50	0.97	0.74
<i>50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index</i>						-0.03	0.02	0.09	-0.01	0.87	1.84	1.45	1.09	0.83
Real Assets⁽¹⁾	10.9%	19.0	15.0	25.0	\$30.0	N/A	0.31	1.77	-0.17	0.43	4.60	5.72	7.47	8.35
<i>Blended Custom Benchmark 1Q in Arrears⁽²⁾</i>						N/A	0.25	0.91	-0.50	3.51	5.28	6.38	8.05	9.42
Private Investment⁽¹⁾	7.5%	10.0	5.0	15.0	\$20.7	N/A	4.54	18.77	0.52	15.63	15.71	13.22	13.44	13.03
<i>Russell 3000 + 250 basis points 1Q in Arrears⁽²⁾</i>						N/A	6.21	47.29	9.93	29.17	15.54	17.69	13.63	13.85
Private Credit⁽¹⁾	0.6%	5.0	0.0	10.0	\$1.7	N/A	2.87	11.64	2.87	N/A	N/A	N/A	N/A	N/A
<i>S&P / LSTA Leveraged Loan Index + 150 basis points 1Q in Arrears⁽²⁾</i>						N/A	3.43	18.09	2.66	N/A	N/A	N/A	N/A	N/A
Alternative Investment Fund	5.6%	3.0	0.0	10.0	\$15.5	1.77	2.69	7.25	0.77	0.32	2.69	3.58	2.67	3.07
<i>Absolute Return Strategy blended benchmark⁽³⁾</i>						0.22	0.71	1.78	0.22	3.80	4.34	2.86	2.05	1.46

⁽¹⁾ Actual performance, reported one quarter in arrears.

⁽²⁾ A blended benchmark comprised of the weightings of Real Estate, Infrastructure / Natural Resources and U.S. TIPS as of April 2020.

⁽³⁾ A blended benchmark comprised of the weightings of each of the investments utilized within the fund of funds vehicle multiplied by their respective benchmarks as of April 2020.



STATE'S ATTORNEYS' RETIREMENT FUND

Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds <i>Benchmark</i>	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
State's Attorneys' Retirement Fund	100.0%				\$2.5	0.96	4.25	15.97	0.87	16.15	7.18	10.10	6.88	6.94
<i>Policy Benchmark</i>						<i>1.90</i>	<i>3.87</i>	<i>17.44</i>	<i>1.66</i>	<i>17.03</i>	<i>8.74</i>	<i>10.86</i>	<i>7.53</i>	<i>N/A</i>
<i>Dynamic Benchmark</i>						<i>1.74</i>	<i>4.20</i>	<i>16.94</i>	<i>1.59</i>	<i>17.94</i>	<i>8.65</i>	<i>10.79</i>	<i>7.54</i>	<i>N/A</i>
Domestic Equity	22.4%	20.0	15.0	25.0	\$0.6	3.27	7.08	28.08	2.61	34.50	14.67	17.24	12.83	13.28
<i>Russell 3000</i>						<i>3.13</i>	<i>7.29</i>	<i>28.58</i>	<i>2.67</i>	<i>35.33</i>	<i>14.97</i>	<i>17.41</i>	<i>12.96</i>	<i>13.44</i>
Developed Markets ISF	13.0%	11.0	6.0	16.0	\$0.3	2.74	6.58	24.96	1.51	25.33	5.35	10.49	6.23	N/A
<i>MSCI EAFE IMI Net</i>						<i>2.30</i>	<i>6.36</i>	<i>24.32</i>	<i>1.32</i>	<i>23.70</i>	<i>6.55</i>	<i>10.81</i>	<i>6.61</i>	<i>N/A</i>
Emerging Markets ISF	12.8%	9.0	4.0	14.0	\$0.3	1.05	12.03	40.90	3.56	44.23	9.52	16.66	8.48	N/A
<i>MSCI Emerging Markets IMI</i>						<i>1.31</i>	<i>11.78</i>	<i>37.07</i>	<i>4.09</i>	<i>36.63</i>	<i>6.11</i>	<i>14.74</i>	<i>7.06</i>	<i>N/A</i>
Core Fixed Income	13.0%	13.0	8.0	18.0	\$0.3	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.23	3.52
<i>Barclays U.S. Aggregate Bond Index</i>						<i>-1.44</i>	<i>-2.02</i>	<i>-0.89</i>	<i>-2.15</i>	<i>1.38</i>	<i>5.32</i>	<i>3.55</i>	<i>3.47</i>	<i>3.58</i>
Emerging Market Debt	5.4%	5.0	0.0	10.0	\$0.1	-2.20	-0.08	7.93	-3.36	2.53	1.45	6.02	3.34	3.67
<i>50% JPM EMBI Global Div / 50% JPM GBI EM Global Div</i>						<i>-2.62</i>	<i>-1.08</i>	<i>5.27</i>	<i>-3.67</i>	<i>2.33</i>	<i>2.58</i>	<i>5.81</i>	<i>3.27</i>	<i>4.27</i>
High Yield	6.3%	3.0	0.0	8.0	\$0.2	0.74	3.56	13.87	1.29	10.78	6.16	8.54	4.89	5.94
<i>Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index</i>						<i>0.37</i>	<i>2.60</i>	<i>12.09</i>	<i>0.70</i>	<i>8.91</i>	<i>6.12</i>	<i>8.74</i>	<i>5.00</i>	<i>6.15</i>
Liquidity Fund	2.5%	2.0	0.0	3.0	\$0.1	0.00	0.02	0.11	0.01	0.35	1.57	1.52	0.98	0.78
<i>50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index</i>						<i>-0.03</i>	<i>0.02</i>	<i>0.09</i>	<i>-0.01</i>	<i>0.87</i>	<i>1.84</i>	<i>1.45</i>	<i>1.09</i>	<i>0.83</i>
Real Assets⁽¹⁾	10.9%	19.0	15.0	25.0	\$0.3	N/A	0.31	1.77	-0.17	0.44	N/A	N/A	N/A	N/A
<i>Blended Custom Benchmark 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>0.25</i>	<i>0.91</i>	<i>-0.50</i>	<i>3.51</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Private Investment⁽¹⁾	7.6%	10.0	5.0	15.0	\$0.2	N/A	4.54	18.77	0.52	15.63	N/A	N/A	N/A	N/A
<i>Russell 3000 + 250 basis points 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>6.21</i>	<i>47.29</i>	<i>9.93</i>	<i>29.17</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Private Credit⁽¹⁾	0.6%	5.0	0.0	10.0	\$0.0	N/A	2.87	11.64	2.87	N/A	N/A	N/A	N/A	N/A
<i>S&P / LSTA Leveraged Loan Index + 150 basis points 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>3.43</i>	<i>18.09</i>	<i>2.66</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Alternative Investment Fund	5.6%	3.0	0.0	10.0	\$0.1	1.77	2.69	7.25	0.77	0.32	N/A	N/A	N/A	N/A
<i>Absolute Return Strategy blended benchmark⁽³⁾</i>						<i>0.22</i>	<i>0.71</i>	<i>1.78</i>	<i>0.22</i>	<i>3.80</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

⁽¹⁾ Actual performance, reported one quarter in arrears.

⁽²⁾ A blended benchmark comprised of the weightings of Real Estate, Infrastructure / Natural Resources and U.S. TIPS as of April 2020.

⁽³⁾ A blended benchmark comprised of the weightings of each of the investments utilized within the fund of funds vehicle multiplied by their respective benchmarks as of April 2020.



AGRICULTURAL COLLEGE FUND

Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
Benchmark														
Agricultural College Fund	100.0%				\$0.7	-1.66	-2.09	-0.52	-2.32	1.91	4.98	3.73	3.27	3.46
Policy Benchmark						-1.44	-2.02	-0.89	-2.15	1.38	5.32	3.55	3.47	3.47
Dynamic Benchmark						-1.44	-2.02	-0.89	-2.15	1.38	5.32	3.55	3.47	N/A
Core Fixed Income	99.5%	100.0	100.0	100.0	\$0.7	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.23	3.49
Barclays U.S. Aggregate Bond Index						-1.44	-2.02	-0.89	-2.15	1.38	5.32	3.55	3.47	3.58
Liquidity Fund ⁽¹⁾	0.5%				\$0.0	0.00	0.01	0.06	0.00	0.34	1.41	1.17	0.74	0.63
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						-0.03	0.02	0.09	-0.01	0.87	1.84	1.45	1.09	0.83

⁽¹⁾ Operational cash balance and expense accruals



ANDREW C. CLARK FUND
Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
Benchmark														
Andrew C. Clark Fund	100.0%				\$1.4	-0.27	0.87	8.09	-0.84	10.97	6.93	7.16	5.39	5.83
Policy Benchmark						-0.19	0.86	7.36	-0.74	10.17	7.19	6.98	5.52	5.84
Dynamic Benchmark						-0.18	0.92	7.72	-0.71	10.35	7.26	7.06	5.57	N/A
Domestic Equity	15.8%	15.0	10.0	20.0	\$0.2	3.27	7.08	28.08	2.61	34.50	14.67	17.25	12.83	13.27
Russell 3000						3.13	7.29	28.58	2.67	35.33	14.97	17.41	12.96	13.44
Developed Markets ISF	11.5%	11.0	6.0	16.0	\$0.2	2.74	6.58	24.96	1.51	25.33	5.36	10.49	6.24	N/A
MSCI EAFE IMI Net						2.30	6.36	24.32	1.32	23.70	6.55	10.81	6.61	N/A
Emerging Markets ISF	4.3%	4.0	0.0	5.0	\$0.1	1.05	12.03	40.90	3.56	44.23	9.52	16.67	8.48	N/A
MSCI Emerging Markets IMI						1.31	11.78	37.07	4.09	36.63	6.11	14.74	7.06	N/A
Core Fixed Income	66.2%	67.0	57.0	77.0	\$0.9	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.23	3.49
Barclays U.S. Aggregate Bond Index						-1.44	-2.02	-0.89	-2.15	1.38	5.32	3.55	3.47	3.58
Liquidity Fund	2.2%	3.0	0.0	4.0	\$0.0	0.00	0.02	0.81	0.01	1.05	4.11	3.50	2.28	1.70
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						-0.03	0.02	0.09	-0.01	0.87	1.84	1.45	1.09	0.83



SOLDIERS' SAILORS' & MARINES' FUND

Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
Benchmark														
Soldiers' Sailors' & Marines Fund	100.0%				\$88.2	-0.26	0.89	8.13	-0.83	11.02	6.94	7.16	5.39	5.91
Policy Benchmark						-0.19	0.86	7.36	-0.74	10.17	7.19	6.98	5.52	5.91
Dynamic Benchmark						-0.17	0.94	7.77	-0.70	10.42	7.29	7.08	5.58	N/A
Domestic Equity	15.9%	15.0	10.0	20.0	\$14.0	3.26	7.08	28.08	2.61	34.50	14.67	17.25	12.84	13.29
Russell 3000						3.13	7.29	28.58	2.67	35.33	14.97	17.41	12.96	13.44
Developed Markets ISF	11.7%	11.0	6.0	16.0	\$10.3	2.74	6.58	24.96	1.51	25.33	5.36	10.49	6.24	N/A
MSCI EAFE IMI Net						2.30	6.36	24.32	1.32	23.70	6.55	10.81	6.61	N/A
Emerging Markets ISF	4.4%	4.0	0.0	5.0	\$3.9	1.05	12.03	40.90	3.56	44.23	9.52	16.67	8.48	N/A
MSCI Emerging Markets IMI						1.31	11.78	37.07	4.09	36.63	6.11	14.74	7.06	N/A
Core Fixed Income	65.9%	67.0	57.0	77.0	\$58.1	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.23	3.49
Barclays U.S. Aggregate Bond Index						-1.44	-2.02	-0.89	-2.15	1.38	5.32	3.55	3.47	3.58
Liquidity Fund	2.0%	3.0	0.0	4.0	\$1.8	0.00	0.02	0.11	0.01	0.35	1.57	1.51	0.97	0.78
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						-0.03	0.02	0.09	-0.01	0.87	1.84	1.45	1.09	0.83



SCHOOL FUND
Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
Benchmark														
School Fund	100.0%				\$13.6	-0.28	0.85	8.21	-0.85	11.13	6.96	7.20	5.42	5.82
Policy Benchmark						-0.19	0.86	7.36	-0.74	10.17	7.19	6.98	5.52	5.84
Dynamic Benchmark						-0.19	0.91	7.85	-0.73	10.51	7.29	7.10	5.61	N/A
Domestic Equity	15.8%	15.0	10.0	20.0	\$2.2	3.26	7.08	28.08	2.61	34.50	14.67	17.25	12.83	13.28
Russell 3000						3.13	7.29	28.58	2.67	35.33	14.97	17.41	12.96	13.44
Developed Markets ISF	11.4%	11.0	6.0	16.0	\$1.6	2.74	6.58	24.96	1.51	25.33	5.35	10.49	6.24	N/A
MSCI EAFE IMI Net						2.30	6.36	24.32	1.32	23.70	6.55	10.81	6.61	N/A
Emerging Markets ISF	4.3%	4.0	0.0	5.0	\$0.6	1.05	12.03	40.90	3.56	44.23	9.52	16.67	8.48	N/A
MSCI Emerging Markets IMI						1.31	11.78	37.07	4.09	36.63	6.11	14.74	7.06	N/A
Core Fixed Income	66.1%	67.0	57.0	77.0	\$9.1	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.23	3.49
Barclays U.S. Aggregate Bond Index						-1.44	-2.02	-0.89	-2.15	1.38	5.32	3.55	3.47	3.58
Liquidity Fund	2.4%	3.0	0.0	4.0	\$0.3	0.01	0.03	0.17	0.02	0.64	2.79	2.42	1.52	1.14
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						-0.03	0.02	0.09	-0.01	0.87	1.84	1.45	1.09	0.83



IDA EATON COTTON FUND
Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
Benchmark														
IDA Eaton Cotton Fund	100.0%				\$3.0	-0.28	0.85	8.12	-0.85	10.98	6.93	7.16	5.39	5.83
Policy Benchmark						-0.19	0.86	7.36	-0.74	10.17	7.19	6.98	5.52	5.84
Dynamic Benchmark						-0.19	0.90	7.75	-0.72	10.36	7.26	7.05	5.57	N/A
Domestic Equity	15.6%	15.0	10.0	20.0	\$0.5	3.26	7.08	28.08	2.61	34.50	14.67	17.25	12.83	13.28
Russell 3000						3.13	7.29	28.58	2.67	35.33	14.97	17.41	12.96	13.44
Developed Markets ISF	11.4%	11.0	6.0	16.0	\$0.3	2.74	6.58	24.96	1.51	25.33	5.36	10.49	6.24	N/A
MSCI EAFE IMI Net						2.30	6.36	24.32	1.32	23.70	6.55	10.81	6.61	N/A
Emerging Markets ISF	4.2%	4.0	0.0	5.0	\$0.1	1.05	12.03	40.90	3.56	44.23	9.52	16.67	8.48	N/A
MSCI Emerging Markets IMI						1.31	11.78	37.07	4.09	36.63	6.11	14.74	7.06	N/A
Core Fixed Income	66.2%	67.0	57.0	77.0	\$2.0	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.23	3.49
Barclays U.S. Aggregate Bond Index						-1.44	-2.02	-0.89	-2.15	1.38	5.32	3.55	3.47	3.58
Liquidity Fund	2.6%	3.0	0.0	4.0	\$0.1	0.00	0.02	0.68	0.01	0.93	4.42	3.67	2.39	1.77
50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index						-0.03	0.02	0.09	-0.01	0.87	1.84	1.45	1.09	0.83



HOPEMEAD FUND
Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds <i>Benchmark</i>	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
Hopemead Fund	100.0%				\$4.8	-0.28	0.85	8.11	-0.85	10.96	6.90	7.12	5.36	5.72
<i>Policy Benchmark</i>						-0.19	0.86	7.36	-0.74	10.17	7.19	6.98	5.52	5.84
<i>Dynamic Benchmark</i>						-0.19	0.90	7.75	-0.72	10.36	7.24	7.03	5.54	N/A
Domestic Equity	15.6%	15.0	10.0	20.0	\$0.7	3.26	7.08	28.08	2.61	34.50	14.67	17.25	12.83	13.27
<i>Russell 3000</i>						3.13	7.29	28.58	2.67	35.33	14.97	17.41	12.96	13.44
Developed Markets ISF	11.3%	11.0	6.0	16.0	\$0.5	2.74	6.58	24.96	1.51	25.33	5.36	10.49	6.24	N/A
<i>MSCI EAFE IMI Net</i>						2.30	6.36	24.32	1.32	23.70	6.55	10.81	6.61	N/A
Emerging Markets ISF	4.3%	4.0	0.0	5.0	\$0.2	1.05	12.03	40.90	3.56	44.23	9.52	16.67	8.48	N/A
<i>MSCI Emerging Markets IMI</i>						1.31	11.78	37.07	4.09	36.63	6.11	14.74	7.06	N/A
Core Fixed Income	66.2%	67.0	57.0	77.0	\$3.2	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.23	3.49
<i>Barclays U.S. Aggregate Bond Index</i>						-1.44	-2.02	-0.89	-2.15	1.38	5.32	3.55	3.47	3.58
Liquidity Fund	2.6%	3.0	0.0	4.0	\$0.1	0.00	0.02	0.11	0.01	0.35	1.57	1.51	0.97	0.79
<i>50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index</i>						-0.03	0.02	0.09	-0.01	0.87	1.84	1.45	1.09	0.83



ARTS ENDOWMENT FUND

Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds <i>Benchmark</i>	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
Arts Endowment Fund	100.0%				\$23.0	1.12	4.78	19.82	1.16	21.67	8.31	8.64	6.43	6.62
<i>Policy Benchmark</i>						<i>1.23</i>	<i>4.63</i>	<i>19.23</i>	<i>1.12</i>	<i>19.15</i>	8.29	8.28	6.43	6.72
<i>Dynamic Benchmark</i>						<i>1.24</i>	<i>4.68</i>	<i>19.01</i>	<i>1.16</i>	<i>20.66</i>	8.56	N/A	N/A	N/A
Domestic Equity	28.5%	28.0	23.0	33.0	\$6.6	3.26	7.08	28.08	2.61	34.50	14.66	17.25	12.84	N/A
<i>Russell 3000</i>						<i>3.13</i>	<i>7.29</i>	<i>28.58</i>	<i>2.67</i>	<i>35.33</i>	<i>14.97</i>	<i>17.41</i>	<i>12.96</i>	<i>N/A</i>
Developed Markets ISF	17.1%	17.0	12.0	22.0	\$3.9	2.74	6.58	24.96	1.51	25.33	5.35	10.50	6.24	N/A
<i>MSCI EAFE IMI Net</i>						<i>2.30</i>	<i>6.36</i>	<i>24.32</i>	<i>1.32</i>	<i>23.70</i>	6.55	10.81	6.61	N/A
Emerging Markets ISF	12.5%	12.0	7.0	17.0	\$2.9	1.05	12.03	40.90	3.56	44.23	9.52	16.68	8.49	N/A
<i>MSCI Emerging Markets IMI</i>						<i>1.31</i>	<i>11.78</i>	<i>37.07</i>	<i>4.09</i>	<i>36.63</i>	6.11	14.74	7.06	N/A
Core Fixed Income	15.5%	16.0	11.0	21.0	\$3.6	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.23	3.49
<i>Barclays U.S. Aggregate Bond Index</i>						<i>-1.44</i>	<i>-2.02</i>	<i>-0.89</i>	<i>-2.15</i>	<i>1.38</i>	5.32	3.55	3.47	3.58
Emerging Market Debt	7.6%	8.0	3.0	13.0	\$1.7	-2.20	-0.08	7.93	-3.36	2.53	N/A	N/A	N/A	N/A
<i>50% JPM EMBI Global Div / 50% JPM GBI EM Global Div</i>						<i>-2.62</i>	<i>-1.08</i>	<i>5.27</i>	<i>-3.67</i>	<i>2.33</i>	N/A	N/A	N/A	N/A
High Yield	8.9%	9.0	4.0	14.0	\$2.0	0.74	3.56	13.87	1.29	10.78	N/A	N/A	N/A	N/A
<i>Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index</i>						<i>0.37</i>	<i>2.60</i>	<i>12.09</i>	<i>0.70</i>	<i>8.91</i>	N/A	N/A	N/A	N/A
Private Credit⁽¹⁾	8.4%	9.0	4.0	14.0	\$1.9	N/A	2.87	11.64	2.87	N/A	N/A	N/A	N/A	N/A
<i>S&P / LSTA Leveraged Loan Index + 150 basis points 1Q in Arrears^</i>						<i>N/A</i>	<i>3.43</i>	<i>18.09</i>	<i>2.66</i>	<i>N/A</i>	N/A	N/A	N/A	N/A
Liquidity Fund	1.5%	1.0	0.0	3.0	\$0.4	0.00	0.02	0.11	0.01	0.34	1.57	1.48	0.95	0.77
<i>50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index</i>						<i>-0.03</i>	<i>0.02</i>	<i>0.09</i>	<i>-0.01</i>	<i>0.87</i>	1.84	1.45	1.09	0.83

⁽¹⁾ Actual performance, reported one quarter in arrears,



POLICEMEN AND FIREMEN SURVIVORS' BENEFIT FUND

Net of All Fees and Expenses
Periods Ending February 28, 2021

Funds <i>Benchmark</i>	Percent Holdings	Policy Weights	Lower Range	Upper Range	Market Value (mil.)	Month	Three Months	Fiscal YTD	Calendar YTD	One Year	Compound, annualized returns			
											Three Year	Five Year	Seven Year	Ten Year
Policemen and Firemen Survivors' Benefit Fund	100.0%				\$43.9	0.96	4.25	15.94	0.87	16.14	7.69	9.92	7.30	7.71
<i>Policy Benchmark</i>						<i>1.90</i>	<i>3.87</i>	<i>17.44</i>	<i>1.66</i>	<i>17.03</i>	<i>8.35</i>	<i>10.55</i>	<i>7.45</i>	<i>N/A</i>
<i>Dynamic Benchmark</i>						<i>1.74</i>	<i>4.20</i>	<i>16.89</i>	<i>1.58</i>	<i>17.89</i>	<i>8.45</i>	<i>10.62</i>	<i>7.58</i>	<i>N/A</i>
Domestic Equity	22.3%	20.0	15.0	25.0	\$9.8	3.26	7.08	28.08	2.61	34.50	14.66	17.24	12.83	13.46
<i>Russell 3000</i>						<i>3.13</i>	<i>7.29</i>	<i>28.58</i>	<i>2.67</i>	<i>35.33</i>	<i>14.97</i>	<i>17.41</i>	<i>12.96</i>	<i>13.44</i>
Developed Markets ISF	13.0%	11.0	6.0	16.0	\$5.7	2.74	6.58	24.96	1.51	25.33	5.35	10.49	6.23	N/A
<i>MSCI EAFE IMI Net</i>						<i>2.30</i>	<i>6.36</i>	<i>24.32</i>	<i>1.32</i>	<i>23.70</i>	<i>6.55</i>	<i>10.81</i>	<i>6.61</i>	<i>N/A</i>
Emerging Markets ISF	12.8%	9.0	4.0	14.0	\$5.6	1.05	12.03	40.90	3.56	44.23	9.52	16.67	8.48	N/A
<i>MSCI Emerging Markets IMI</i>						<i>1.31</i>	<i>11.78</i>	<i>37.07</i>	<i>4.09</i>	<i>36.63</i>	<i>6.11</i>	<i>14.74</i>	<i>7.06</i>	<i>N/A</i>
Core Fixed Income	13.0%	13.0	8.0	18.0	\$5.7	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.23	3.55
<i>Barclays U.S. Aggregate Bond Index</i>						<i>-1.44</i>	<i>-2.02</i>	<i>-0.89</i>	<i>-2.15</i>	<i>1.38</i>	<i>5.32</i>	<i>3.55</i>	<i>3.47</i>	<i>3.58</i>
Emerging Market Debt	5.4%	5.0	0.0	10.0	\$2.4	-2.20	-0.08	7.93	-3.36	2.53	1.45	6.02	3.34	3.67
<i>50% JPM EMBI Global Div / 50% JPM GBI EM Global Div</i>						<i>-2.62</i>	<i>-1.08</i>	<i>5.27</i>	<i>-3.67</i>	<i>2.33</i>	<i>2.58</i>	<i>5.81</i>	<i>3.27</i>	<i>4.27</i>
High Yield	6.3%	3.0	0.0	8.0	\$2.8	0.74	3.56	13.87	1.29	10.78	6.16	8.54	4.89	5.94
<i>Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index</i>						<i>0.37</i>	<i>2.60</i>	<i>12.09</i>	<i>0.70</i>	<i>8.91</i>	<i>6.12</i>	<i>8.74</i>	<i>5.00</i>	<i>6.15</i>
Liquidity Fund	2.6%	2.0	0.0	3.0	\$1.1	0.00	0.02	0.11	0.01	0.35	1.57	1.51	0.97	0.78
<i>50% U.S. 3-Month T-Bill / 50% Bloomberg Barclays US Government Treasury 1 to 3 Year Index</i>						<i>-0.03</i>	<i>0.02</i>	<i>0.09</i>	<i>-0.01</i>	<i>0.87</i>	<i>1.84</i>	<i>1.45</i>	<i>1.09</i>	<i>0.83</i>
Real Assets⁽¹⁾	10.8%	19.0	15.0	25.0	\$4.8	N/A	0.31	1.77	-0.17	0.43	4.60	5.72	7.47	8.31
<i>Blended Custom Benchmark 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>0.25</i>	<i>0.91</i>	<i>-0.50</i>	<i>3.51</i>	<i>5.28</i>	<i>6.38</i>	<i>8.05</i>	<i>9.42</i>
Private Investment⁽¹⁾	7.5%	10.0	5.0	15.0	\$3.3	N/A	4.54	18.77	0.52	15.63	15.71	13.22	13.44	N/A
<i>Russell 3000 + 250 basis points 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>6.21</i>	<i>47.29</i>	<i>9.93</i>	<i>29.17</i>	<i>15.54</i>	<i>17.69</i>	<i>13.63</i>	<i>N/A</i>
Private Credit⁽¹⁾	0.6%	5.0	0.0	10.0	\$0.3	N/A	2.87	11.64	2.87	N/A	N/A	N/A	N/A	N/A
<i>S&P / LSTA Leveraged Loan Index + 150 basis points 1Q in Arrears⁽²⁾</i>						<i>N/A</i>	<i>3.43</i>	<i>18.09</i>	<i>2.66</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Alternative Investment Fund	5.5%	3.0	0.0	10.0	\$2.4	1.77	2.69	7.25	0.77	0.32	2.69	3.58	2.67	N/A
<i>Absolute Return Strategy blended benchmark⁽³⁾</i>						<i>0.22</i>	<i>0.71</i>	<i>1.78</i>	<i>0.22</i>	<i>3.80</i>	<i>4.34</i>	<i>2.86</i>	<i>2.05</i>	<i>N/A</i>

⁽¹⁾ Actual performance, reported one quarter in arrears.

⁽²⁾ A blended benchmark comprised of the weightings of Real Estate, Infrastructure / Natural Resources and U.S. TIPS as of April 2020.

⁽³⁾ A blended benchmark comprised of the weightings of each of the investments utilized within the fund of funds vehicle multiplied by their respective benchmarks as of April 2020.



SHAWN T. WOODEN
TREASURER

State of Connecticut
Office of the Treasurer

DARRELL V. HILL
DEPUTY TREASURER

April 9, 2021

Members of the Investment Advisory Council ("IAC")

RE: Mesirow Financial Real Estate Value Fund IV, L.P.

Dear Fellow IAC Member:

At the April 14, 2021 meeting of the IAC, I will present for your consideration an investment opportunity for the Real Assets Fund in the Connecticut Retirement Plans and Trust Funds (the "CRPTF"): Mesirow Financial Real Estate Value Fund IV, L.P. (the "Fund"). The Fund is sponsored by Mesirow Financial Holdings, Inc. ("Mesirow"), an independent, employee owned financial services firm headquartered in Chicago.

I am considering a commitment of up to \$75 million to the Fund which presents an opportunity for the CRPTF to invest to expand and diversify its multifamily exposure a defensive sector with the potential to provide stable cash yield with downside protection. The portfolio will be constructed by acquiring Class B and B+ multifamily focusing on the middle and upper-middle income segment of the market. Consistent with prior funds, the investment team's approach will be to acquire assets across the risk spectrum, ranging from core+ to opportunistic, to create a blended portfolio with a value-added risk-return profile.

Attached for your review is the recommendation from Steven Meier, Interim Chief Investment Officer, and the due diligence report prepared by NEPC. I look forward to our discussion of these materials at the next meeting.

Sincerely,

Shawn T. Wooden
State Treasurer

OFFICE OF THE STATE TREASURER
MEMORANDUM



DECISION

TO: Shawn T. Wooden, Treasurer

FROM: Steven R. Meier, CFA, FRM, Interim Chief Investment Officer

CC: Darrell V. Hill, Deputy Treasurer
Raynald D. Leveque, Deputy Chief Investment Officer
Kevin J. Cullinan, Chief Risk Officer
Danita Johnson, Principal Investment Officer

DATE: March 25, 2021

SUBJECT: Mesirow Financial Real Estate Value Fund IV, L.P.

Summary

The purpose of this memorandum is to recommend that the Connecticut Retirement Plans and Trust Funds ("CRPTF") consider a commitment of up to \$75 million to Mesirow Financial Real Estate Value Fund IV, L.P. ("Mesirow IV" or the "Fund"). The general partner of the Fund is Mesirow Financial REVF IV-GP, LLC, a Delaware limited liability company (the "General Partner") and a subsidiary of Mesirow Financial Holdings, Inc. ("Mesirow Financial"), an independent, employee owned financial services firm headquartered in Chicago.

Mesirow is targeting a \$750 million fund size and seeks to invest across a spectrum of multifamily opportunities in major markets throughout the United States. The fund held a first close on May 1, 2020 with \$255 million of capital commitments and has closed on \$440 million to date with a final close expected on May 31, 2021. Based on the number and commitment sizes of investor in due diligence, the firm anticipates being fully subscribed at the target size of \$750 million.

Strategic Allocation within the Real Assets Portfolio

The Fund's strategy falls under the real estate allocation of the Real Assets Fund ("RAF"). As of December 31, 2020, CRPTF's total real estate allocation by market value was 5.8%, which is underweight the policy target allocation of 10%. Pension Funds Management ("PFM") Investment Staff believe that an investment in Mesirow IV is in line with the asset class strategic plan to maintain steady commitments to the real estate sector and to bring the core strategy allocation within the policy range by making additional commitments to the non-core sector. The fund's core plus/value add strategy, detailed below, is an opportunity for the RAF to invest in a defensive sector with the potential to provide stable cash yield with downside protection.

Overview

Alasdair Cripps, Chief Executive Officer and Co-Chief Investment Officer joined Mesirow Financial in 2007 to develop the firm's institutional real estate direct investment business with a focus on multifamily investing in the United States. Prior to joining Mesirow, Alasdair was a Partner and a Portfolio Manager at Capri Capital Partners, where he, along with Guy Chiariello and Charles Kendricks, oversaw a portfolio of over \$3.5 billion in real estate assets. With 30 years of experience, Alasdair is responsible for leading the real estate investment business and participates in all aspects of the investment process. President, Ben Blakney joined the firm in

2014 and, with more than 30 years of investment industry experience in both the public and private sector, he is responsible for the development and strategic implementation of client solutions. Prior to joining Mesirow, Ben was a Managing Director at Courtland Partners, an institutional real estate consulting firm. Guy Chiariello and Charles Kendrick both joined Mesirow in 2007 as managing directors, responsible for asset management, and acquisitions and dispositions, respectively. Mr. Kendrick is Co-Chief Investment Officer for the real estate investment business and is involved in all aspects of the investment process. He has over 26 years of real estate transaction experience, and prior to joining Mesirow, was a Principal of investments at Capri Capital Partners, where he was directly responsible for sourcing, underwriting and due diligence for both acquisition and dispositions of investments in various product types, particularly multifamily. Guy Chiariello serves as Chief Operating Officer and has more than 35 years of real estate investment experience. Prior to joining Mesirow, he was the Principal of Asset Management at Capri Capital Partners where he was directly responsible for all phases of asset management on over \$900 million in real estate assets comprised of over 2,200 multifamily units and 2.7 million square feet of industrial, retail and office space. Other members of the senior team include Kevin S. Price, Managing Director of Asset Management, Mike Grippi Managing Director of Acquisitions, and Brian Gant Head of Dispositions. They lead a 14-person real estate investment team which currently manages approximately \$3.5 billion in assets across three funds and is supported by a broader group of professionals in the areas of accounting and reporting, client service, information technology, legal/compliance, and administration. These broader resources enable the investment team to concentrate on building and managing the portfolios.

Investment Strategy

Mesirow Financial Real Estate Value Fund IV will employ the same risk balanced, sector focused, strategy executed by the investment team in 3 predecessor funds. This strategy exclusively targets multifamily investment opportunities in the U.S. apartment sector with a primary emphasis on providing market competitive product for middle and upper middle-income renters. The fund will seek properties with the opportunity to optimize asset performance through the execution of a value-added investment strategy and in locations where property positioning is strengthened by mass transit, medical centers, educational institutions and/or other types of attractive submarket anchors and amenities. Secondary strategies will target investments in mixed-use properties with a significant multifamily component, opportunities to capitalize on stabilizing student demand for housing, and on a limited basis, opportunities to develop multifamily product. The Fund has an annual target return of 12-15% gross and 10-12% net with approximately 50% of the Fund's total return expected to be generated from income, and approximately 50% expected to be generated from capital appreciation.

Consistent with prior funds, the investment team's approach will be to acquire assets across a spectrum of assets ranging from core+ to opportunistic to create a blended portfolio with a value-added risk-return profile. The portfolio will be constructed by acquiring Class B and B+ multifamily assets built in the 1990s, 2000s and 2010 decades, with a preference for later vintage product post-2000. The team focuses on the middle and upper middle income segment of the market, including hi-rise, mid-rise and garden-style properties with a price point that is positioned below luxury rents at \$1750-\$1850/unit and a balance- approximately 50/50 - between urban and transit-oriented suburban locations. Mesirow actively researches and monitors markets, targeting supply-constrained submarkets in MSA's where institutional capital is actively trading with a focus on mass transit hubs, medical center magnets, and institutions of higher education with high walkability scores. Target markets for 2021 include Phoenix, Denver, Austin, Charlotte, Atlanta, Dallas, and South Florida. Other markets currently being monitored for

possible 2022 acquisitions include Seattle, Portland, Boston, Philadelphia, Northern Virginia, Nashville, and Minneapolis. The manager intends to acquire a significant portion of its investments through direct investment in real estate; however, when appropriate, the Fund may invest in multifamily properties through joint ventures with real estate developers and operators or, in connection with recapitalization opportunities, make investments in debt instruments secured by multifamily real estate or interests in an entity that owns multifamily real estate.

The General Partner intends to build the portfolio through the acquisition of assets across a spectrum of risks including:

- heavy value-add repositioning, involving significant renovation of units and common areas
- light value-add enhancement, involving minor/moderate work to units and common areas, transitioning a property to a core/core+ asset
- value-add acquisitions, involving the acquisition of core or core+ assets at a discounted basis, typically involving some lease-up risk and/or property management change
- ground-up joint venture developments i.e. “Build to Core” then sell to core buyers.

The blended allocation of asset risks, ranging from core+ to opportunistic, will be managed by the Principals with a goal of achieving risk-adjusted performance that realizes the return target of the strategy.

Portfolio assets will be acquired with a view towards creating value by improving the operating fundamentals of the property through expense reductions, revenue growth, capital reinvestments, management enhancements, and in some instances the re-branding of the property within the marketplace. The value creation process begins prior to the closing of the property with the selection of third-party property management firm and leasing agents. After closing, the investment team executes the business plan developed during due diligence which may include customizing and upscaling amenities to align with changing tastes and preferences, improving finish levels, curing deferred maintenance, and adding selective capital improvements. Assets are monitored closely by the asset management team to ensure that capital improvement plans are executed in a disciplined manner, that issues are identified early and that dollars are being spent correctly, effectively and on time. For the prior funds, the manager has, through rigorous expense management been able to hold flat or reduce controllable expenses on over 90% of the properties during the ownership time frame.

Market Opportunity

The multifamily sector provides investors with stable, income-oriented returns with minimal capital requirements compared to other sectors. As a need-based asset class, apartments in healthy markets are typically positioned to withstand periods of slowdown better than most other commercial real estate sectors. According to NCREIF (National Council of Real Estate Investment Fiduciaries), multifamily has consistently been one of the top-performing real estate sectors on a risk-adjusted basis over the last forty years.

Through the year end 2020, the multifamily sector remained on solid ground and continued to show favorable fundamentals across the nation. According to CBRE, multifamily rent collections have been resilient since the pandemic began, never dropping below 91.7% in 2020. Several markets improved collections in 4Q20 compared to the average since the onset of COVID-19.

Markets like San Francisco and Miami that struggled early on experienced their highest collection levels compared with the April-December average. Quarterly rent growth for the US multifamily market fell to - 0.6% in 4Q20, while annualized rent growth dropped to 0.1%. Suburban markets greatly outperformed urban markets. Additionally, six of the top 10 markets in terms of annualized effective rent growth were in the Sunbelt region, led by Phoenix at 4.5%. With respect to performance, total returns accelerated in the second half of 2020, with 4Q20 returns rising 162 basis points from the 2Q20 low of - 0.6%. Unlike in previous recessions, more affordable housing inventory (Class B and C) maintained low vacancy rates and modest rent growth in 2020 while Class A assets were impacted the most by COVID-19 this year due to higher turnover from young adults moving back home, steady delivery of new supply and renters seeking less expensive housing. While multifamily values were negatively impacted by the COVID-19 pandemic, according to NCREIF's Appreciation Index, the income generation for multifamily properties remained strong, keeping total returns up in 2020.

The outlook for multifamily remains positive. CBRE forecasts a return to pre-COVID vacancy levels and a 6% increase in net effective rents in 2021, with a full market recovery occurring in early 2022. The impending economic rebound is expected to lead to rising multifamily demand, largely from “unbundling”—certain renters moving out of their parents’ homes or those of friends as job opportunities provide more financial flexibility to live independently. It is expected that demand levels in 2021 likely will fall short of pre-COVID peaks in 2018 and 2019 but should rise significantly from 2020 and that vacancy rates for middle-income multifamily housing will remain relatively low in 2021.

According to the Multifamily Housing Council, Class B assets should continue to outperform in 2021 with low vacancy and steady rent growth. Overall, Class B continues to attract a relatively financially stable renter base that’s employed and paying rent, so collections have been less of an issue here than in lower-class assets. Additionally, Class B communities have been attracting those residents who are gravitating away from the higher end, and more expensive communities as they rethink their housing preferences and now seek more affordable and spacious housing options. The result is stable cash-on-cash returns with strong NOI growth for Class B communities.

Fund IV Portfolio

Currently Fund IV has invested in two assets representing an equity commitment, in aggregate, of \$77.5M. In November 2020, The Fund acquired a 276-unit, garden-style apartment community located in the River East corridor of Fort Worth, Texas, approximately one mile from the CBD, in an Opportunity Zone that is currently experiencing a substantial upward shift in its economic base due to a marked uptick in commercial investment in the neighborhood. The investment is a light value-add opportunity with the plan to enhance amenities and unit interiors while focusing on more streamlined operations. The team believes that with these enhancements and improved asset management, there is an opportunity to raise net effective rental rates and net operating income.

The second is a development opportunity in downtown Philadelphia, located less than a block from Thomas Jefferson University and Hospital, Philadelphia’s largest employer. The site is currently a parking garage and is one of the last remaining large development sites in downtown Philadelphia. The project will be a 409-unit, 20-story high-rise apartment building which will offer condominium-quality finishes, market leading amenities, and structured parking.

Track Record

Mesirow raised \$379.3 million for Fund I from 19 institutional investors and made 22 investments in 14 geographic markets. The Fund is fully liquidated, generating a 15% gross IRR and 12% net IRR at an average 55% LTV during the Fund life. The Firm raised \$545.8 million for Fund II from 36 institutional investors and made 17 investments in 13 geographic markets. Six investments have sold generating a 19.2% gross IRR and 2.0x gross multiple. Fund III raised \$567.02 M from 41 institutional investors and made 18 investments in 11 geographic markets.

Table 1: Mesirow Financial – Fund Track Record

Investment Performance Summary			
	Fund I	Fund II	Fund III
Vintage	2011	2014	2017
Size	\$379.3	\$545.8	\$567.0
Invested Capital	\$372.8	\$535.1	\$497.6
Realized Value	\$677.0	\$356.6	\$28.1
Unrealized Value	-	\$549.6	\$574.0
Total Value	\$1,254.1	\$1,722.9	\$1,478.3
Deals	22	17	18
Full Exits	22	6	-
Gross			
IRR	15.0%	13.6%	12.3%
MOIC	1.8x	1.7x	1.3x
Net			
IRR	11.7%	11.5%	9.6%
MOIC	1.6x	1.6x	1.2x
Average Leverage	55%	55%	58%

Source: Mesirow

(Mesirow Data \$US in millions, as of September 30, 2020)

Key Strengths

- **Cohesive and Experienced Team:** The Principals average over 30 years of institutional real estate and investment industry experience, and three of the five have invested together as a team for 22 years. They've been directly responsible for the acquisition, asset management, tactical repositioning, development, and disposition of more than \$7.5 billion of institutional quality real estate asset and have compiled a strong track record of managing multifamily real estate portfolios through a full range of economic and real estate market cycles on behalf of institutional capital partners. In addition, the team has been stable with minimal turnover and no departures in the last five years.
- **Sourcing Capabilities:** The Principals of the Fund collectively, with over 180 years of experience and relationship building, have developed an extensive network of real estate industry contacts that include national real estate investment sales brokers, REITs, insurance companies, real estate private equity funds, nationally branded property management firms, mortgage brokers, regional and national banks, accounting and law firms. The team has been able to leverage this network and reputation to gain access to proprietary opportunities to acquire assets at discounts to replacement cost. On an annual basis, the investment team reviews 120-150 properties during the year and ultimately bids on 15-20.
- **Defensive Characteristics of the Apartment Sector:** The multifamily sector, a need-based asset class, is a defensive property type that has been able to withstand periods of slowdown better than most other commercial real estate sectors. The durability of apartment rents

contributes to cash flow stability, a lower volatility of returns and enhances the defensive resiliency of the asset class. Further, Apartments have outperformed all other property sectors tracked by the NCREIF Property Index (NPI) over the last 5, 10 and 30-year periods, with a lower volatility of returns.

- **Disciplined Investment Approach:** Mesirow approaches risk management by remaining disciplined in portfolio construction, market selection, asset selection, and use of leverage. The team's risk balanced approach to portfolio construction emphasizes diversification by geography, location urban/suburban, vintage year, product-type, and strategy. The conservative use of leverage exists at both the property level whereby each of the Funds have averaged approximately 55% LTV over the term of each Fund, and at the Fund-level whereby the GP has used a subscription line for the sole purpose of short-term liquidity requirements. Funds I, II and III had credit facilities of \$3M, \$15M and \$20M respectively with maximum usage ranging from 60% -75%.
- **Real Estate Portfolio Fit:** With respect to product, renter profile and risk/return profile, the fund provides diversification to CRPTF's existing multifamily portfolio. Mesirow targets a mix of urban and suburban product focused on the upper middle-income segment of the multifamily market with a target renter income of \$71,000. The Fund's core plus/value add risk return profile is a diversifier to the existing multifamily focused funds in the portfolio which target class B, mostly suburban, garden style properties marketed to middle income renters at a lower price point.
- **Fee Structure:** For a commitment of \$75 million, the fund's fee structure includes an attractive 0.70% commitment fee and a 0.85% fee on invested capital during the investment period. Afterwards, fees are 0.85% on invested capital. In addition, at a commitment of \$75 million, Mesirow has reduced its performance fee to 20% which is in line with market and consistent with similar strategies.
- **Sponsor and Team Alignment:** The general partner will contribute 3% of total aggregate commitments, up to \$10 million, to the Fund which creates a strong alignment of interest between the GP and LPs of the Fund. In total, the GP and the team will commit \$14.3 million to the Fund with \$4.3 million coming from the real estate team.

Risks and Mitigants

- **Macro-Economic Environment:** After the onset of COVID-19, the U.S. lost 21.4 million jobs over the months of March and April, according to data released in May 2020 by the Bureau of Labor Statistics. Although in February 2021, the U.S. unemployment rate edged down to 6.2% from the record high of 14.8% , the jobless rate remains well above pre-pandemic levels. Rent collections have remained surprisingly high across most of the multifamily sector and occupancy relatively stable, however, a prolonged downturn would negatively impact multifamily rent growth and income returns.

Mitigant - The necessity of multifamily and the significant housing shortage in the U.S. of both single family and multifamily provides some protection from the shock of a prolonged period of high unemployment. According to Moody's Analytics, the multifamily sector is expected to fare relatively well compared to other property types. Class B property types

targeting middle income renters have performed well and fundamentals in the sector are healthy. Despite the challenges created by COVID-19, collections across operating assets in Mesirow's Funds II and III, ranged from 98% to just under 100%, and cash distributions in the second and third quarters of 2020 exceeded distributions for the same period in the prior year.

- **Key Person Risk:** CEO and Co-CIO, Alasdair Cripps founded the direct real estate investment platform at Mesirow and has been instrumental in developing the team's investment philosophy, strategy, and process. His departure could be disruptive to the operations of the firm and present a risk to its stability.

Mitigant – Mesirow has a strong and stable management team which ensures consistency in the management of the Firm and Fund should a Key Person event occur. Alasdair works in collaboration with the senior team including President, Ben Blakney, Co-CIO, Charles Kendrick, COO, John Pierson and the Heads of Acquisitions and Asset Management to make management and investment-related decisions. PFM believes that this culture of collaboration will allow the established processes to continue to operate should Alasdair no longer be involved with the daily operation of the firm. Key Person Risk is also mitigated by provisions in the fund documents which allow the Limited Partners to suspend the investment period upon the affirmative vote of a majority in interest of Limited Partners.

- **Relative Value-Add Performance** – As mentioned in NEPC's memo, Mesirow's underperformed value add/opportunistic funds of the same vintage by some performance metrics.

Mitigant - When compared to value add/opportunistic funds with higher net return targets and leverage levels, Mesirow's strategy is lower on the risk/return spectrum, targeting net returns of 10-12% generated from 50% income and 50% appreciation. For prior Funds, Mesirow acquired funds across the risk spectrum with 33-36% of investments in the light value add and core/core+ acquisition categories and average leverage of 55%. The manager's returns for prior funds are consistent with the risk profile of those funds, and PFM is comfortable with Fund IV's conservative profile given the diversification benefits and current income the strategy provides for the portfolio.

Investor Advisory Committee

The Advisory Committee is expected to meet with the General Partner on at least an annual basis to consider and comment on such matters as the financial statements of the Fund, the status of outstanding investments, economic and financial trends and conditions affecting investments generally, valuations and such other matters relating to the business of the Fund. At a commitment of \$75 million, CRPTF would have a seat on the Advisory Committee.

Economics/Fees

- **Management Fees:** 0.70% on committed capital and 0.85% on invested capital during the commitment period. Thereafter, 0.85% on invested capital
- **Carried Interest:** 20% performance fee over 8% return hurdle per annum.
- **Waterfall:** Fund Level, no GP catchup.

Legal and Regulatory Disclosure (provided by Legal)

Through its disclosure, Mesirow Financial Investment Management, Inc. (“Mesirow”), states it has no material legal matters. A business unit of Mesirow (serving retail clients) is being reviewed by the SEC in relation to mutual fund revenues and the disclosure by Mesirow as to how those monies are divided between Mesirow and a clearance firm. Mesirow met with the SEC in early January and produced documents in February 2020. There are no material claims under its fidelity, fiduciary or E&O insurance policies, and no ongoing internal investigations to report.

Mesirow states it has adequate procedures in place to undertake internal investigations of its employees, officers, and directors.

Compliance Review (provided by Compliance)

The Chief Compliance Officer’s Workforce Diversity and Corporate Citizenship review is attached.

Environmental Social and Governance (“ESG”) Analysis

Assistant Treasurer for Corporate Governance & Sustainable Investment review is attached.

COMPLIANCE REVIEW FOR MESIROW FINANCIAL REAL ESTATE VALUE FUND IV, L.P.

SUMMARY OF LEGAL AND POLICY¹ ATTACHMENTS SUBMITTED BY MESIROW FINANCIAL INVESTMENT MANAGEMENT, INC.

I. Review of Required Legal and Policy Attachments

MESIROW FINANCIAL INVESTMENT MANAGEMENT, INC. (“Mesirow”) a Chicago Illinois-based company, completed all required legal and policy attachments. The company disclosed no third party fees, campaign contributions, known conflicts, or gifts. Its disclosure of a legal/ regulatory proceeding is being reviewed by the Legal Unit.

II. Workforce Diversity (See Also 3 year Workforce Diversity Snapshot Page Attached)

As of December 2020, Mesirow employed 182, 1 less than the 183 employed in December 2018.

The company identified 7 women and 6 minorities as Executive/Senior Level Officials and Managers. Mesirow reported that for the 3 year period 2017-2019, 18 women and 15 minorities were promoted within the ranks of professionals or managers.

Overall, although women and minorities are represented at all levels of the company, the highest level of representation of those groups is at the Professional Level, being 41% and 28%, respectively.

Mesirow’s Commitment and Plans to Further Enhance Diversity

Mesirow’s Diversity and Inclusion (D&I) Manager works with senior leadership to identify opportunities to advance D&I that align with business objectives. The company is in the process of restructuring the Employee Advisory Council, launched in 2015, to function as an advisory channel to the D&I Manager and assist with moving D&I strategy forward.

Workforce Statistics

For Executive/Senior Level Officials and Managers:

- Women held 18% (7 of 39) of these positions in 2020, down from 25% (9 of 36) in December 2019, and 24% (8 of 34) in December 2018.
- Minorities held 15.38% (10.26% Asian and 5.13% Black) or 6 of 39 of these positions in 2020, down from 16.7% (8.3% Asian, 5.6% Black, and 2.8% Hispanic) or 6 of 36 held in 2019, and 17.65% (8.8% Asian, 5.9% Black, and 2.9% Hispanic) or 6 of 34 held in December 2018.

¹ The Treasury Unit responsible for reviewing Mesirow’s ESG submission will prepare a separate report.

At the Management Level overall:

- Women held 17% (16 of 94) of these positions in 2020, down slightly from 18% (17 of 91) held in December 2019, and down from 19% (17 of 89) held in December 2018.
- Minorities held 14.89% (3.19% Asian, 1.06% Hispanic and 1.06% Black) or 14 of 94 of these positions in 2020, up from 13.2% (5.5% Asian, 5.5% Black, and 2.2% Hispanic) or 12 of 91 held in 2019, and 12.4% (4.5% Asian, 5.6% Black, and 2.2% Hispanic) or 11 of 89 held in December 2018.

At the Professional Level:

- Women held 41% (34 of 82) of these positions in 2020, down from 43% (34 of 79) held in 2019, but the same 41% (35 of 86) held in December 2018.
- Minorities held 28.05% (12.2% Asian, 7.32% Hispanic, 6.1% Black and 1.22% Two or More Races) or 23 of 82 of these positions in 2020, down from 29.1% (13.9% Asian, 7.6% Black, 6.3% Hispanic, and 1.3% Two or More Races) or 23 of 79 held in 2019, and 41.9% (15.1% Asian, 8.1 % Black, 4.7% Hispanic, and 2.3% Two or More Races) or 36 of 86 held in December 2018.

Company-wide:

- Women held 31% (56 of 182) of these positions in 2020, down from 33% held in both December 2019 (58 of 177) and December 2018 (60 of 183).
- Minorities held 22.53% (10.44% Asian, 4.4% Hispanic, 6.59% Black and 1.1% Two or More Races) or 41 of 182 of these positions in 2020, slightly down from 22.6% (9.6% Asian, 7.3% Black, 4.5% Hispanic, 1.1% Two or More Races) or 40 of 177 held in 2019, and 23% (9.8% Asian, 7.7% Black, 38% Hispanic, 1.6% Two or More Races) or 42 of 183 held in 2018.

III. Corporate Citizenship*Charitable Giving:*

Mesirow reported that commitment to social responsibility is a critical “aspect of our firm’s culture”. Both the firm’s executive leadership and employees support local and national organizations, through corporate advocacy, volunteering and mentoring. Mesirow focusses on social good through 3 pillars of investment: i) Neighborhoods/ Family Services and Education (more than 5,000 hours of volunteer service dedicated to the firm’s adopted neighborhood on Chicago’s southwest side since 2013); ii) Social Justice/Tolerance and anti-gun violence (the firm has partnered with organizations such as Giffords in an effort to fight gun violence); and iii) Opportunity and Inclusion/ Supporting Persons with Disabilities (the firm partners with groups including The Nora Project to teach empathy to the next generation of leaders). The firm supports a myriad of other organizations such as Autism speaks, YWCA of Metropolitan Chicago, as well as Connecticut based entities such as Community Foundation of Greater New Britain, Inc. and Connecticut Conference of Municipalities.

Internships/Scholarships:

Through a local organization, The Anixter Center, Mesirow provides internship and full time opportunities for individuals with disabilities to increase independence and contribute to Mesirow’s culture and success. Since 2018, the firm has implemented a Rotational Analyst Program which focusses on recruiting and retaining minority college graduates. One intern from that program has been hired as an Investment Management Analyst. In collaboration with NASP, the firm also hosts 2 diverse summer interns. The firm does not currently have a scholarship

program however, numerous employees of the firm are involved with organizations that award scholarships.

Procurement:

From its response Mesirow does not appear to have a formal policy at this time for fostering relationships with women/minority/and emerging business-owned entities. However, the firm reported that “we actively seek out diverse suppliers, including” minority/women/veteran/disabled/lesbian/gay/bisexual/transgender and small businesses that can provide high quality goods and services to the firm.

SUMMARY OF RESPONSES FROM MESIROW FINANCIAL REAL ESTATE VALUE IV GP, LLC

TO ATTACHMENT M (REAL ESTATE): EVALUATION AND IMPLEMENTATION OF SUSTAINABLE PRINCIPLES

Mesirow Financial became a signatory to the UN Principles of Responsible Investment (UN PRI) in 2019 and began publishing their ESG and sustainability policies on their website in 2020. The firm is also member of the Global Real Estate Sustainability Benchmark (“GRESB”). Otherwise, the firm is not a member of any of the sustainability-oriented organizations identified by the Treasury (e.g., Carbon Disclosure Project; CDP Water Disclosure Project; Council of Institutional Investors; Investor Network on Climate Risk; or the Social Investment Forum).

The firm’s disclosure indicates that energy cost and usage is an important component of its assessment of potential acquisitions. The firm reviews past usage to identify underlying issues. For onsite property inspections, the property is inspected for inefficient fixtures, light bulbs appliances, mechanical equipment and considered for inclusion in their overall asset improvement strategy. Beginning in 2020, every potential investment will undergo a Level 1 Energy Audit by qualified vendors to further identify opportunities for improvement.

Qualified investment properties are financed by using Fannie Mae’s Green Program. By making capital improvements to energy and water building components, they are able to reduce their interest rate compared to non-Green debt options. This has provided annual interest savings as high as \$200,000 not including the savings of utility costs and maintenance costs.

The firm monitors energy and water cost of properties through a budget variance analysis. If variances are identified, their third party property manager and utility billing vendors engage to identify causes. In 2020, the firm will begin using an Energy Management System to monitor performance trends, set goals, and benchmark their portfolio assets. Properties will also be enrolled in Energy Star Benchmarking, which will allow Mesirow to evaluate their property performance relative to comparable properties.

Below are the firm’s energy use reduction goals;

- 1) Retrofitting all inefficient lighting fixtures and bulbs to LED
- 2) Replacing inefficient unit appliances with Energy Star rated appliances during renovation
- 3) Upgrading major mechanical systems with efficient replacements or components when repairs are needed.

Also, if any hazardous materials are identified during the due diligence process, the firm would work with the seller to remediate these hazards. An independent Environmental Consultant would be required to review any mitigation/abatement work. If the seller refuses to complete the work, Mesirow may consider negotiating the property at a reduced price or further evaluate if they should proceed with the investment.

In 2019, the firm began benchmarking their investment portfolio through GRESB and currently have 10 investment properties enrolled in Energy Star Benchmarking for city ordinance requirements. They intend on benchmarking every property in their portfolios in Energy Star by the end of 2020.

Mesirow does not solely base their investment decisions on the location of properties and availability of services and transportation. However these properties are very desirable to the firm and 50% of their investment portfolios have included transit-oriented assets.

The firm uses Goby, Inc. as their ESG consultant. They are also members of many organizations such as; Urban Land Institute, Pension Real Estate Association, International Council of Shopping Centers and National Multi-Housing Council for the purposes of research data.

Overall, Mesirow's disclosure suggested good integration of ESG considerations in its investment process.

**Summary of Responses to Attachment M:
Evaluation and Implementation of Sustainable Principles**

Submitted by Mesirow Institutional Real Estate Direct

March 1, 2021

Criteria		
1	Firm has an ESG policy	Yes
1a	If yes, firm described its ESG policy	Yes
2	If yes, firm provided examples of ESG factors considered in the decision-making process, explained the financial impact of these ESG factors	Yes
3	Designated staff responsible for sustainability policies and research	Yes
4	Firm provides training/resources on sustainability issues, explained sources of ESG-related data	Yes
5	Signatory/member of sustainability-related initiatives or groups	Yes
6	Policy for evaluating current or prospective relationships with manufacturers or retailers of civilian firearms	No
7	Policy that requires safe and responsible use, ownership or production of guns	No
8	Enhanced screening of manufacturers or retailers of civilian firearms	No
9	Enhanced screening of any industry/sector subject to increased regulatory oversight, potential adverse social and/or environmental impacts	No
10	Merchant credit relationships with retailers of civilian firearms and accessories	No
10a	If yes, firm confirms compliance with laws governing firearms sales	N/A
11	Overall assessment of responses (e.g., depth of approach to ESG and integration)	<p>Mesirow described a comprehensive framework for ESG integration, with internal resources supported by an external ESG consultant. The firm is a signatory of the UN Principles of Responsible Investment, and is a member of several real estate-related sustainability initiatives including the Global Real Estate Sustainability Benchmark ("GRESB"). Every potential investment undergoes a third-party energy audit and ongoing assessment through Energy Star benchmarking.</p> <p>The firm does not have a policy specific to civilian firearms because they do not have any relationships with manufacturers or retailers, nor do they conduct enhanced screening of industry/sectors subject to increased regulatory oversight.</p>
	<p align="center">SCORE:</p> <p align="center">Excellent - 1 Detailed description of ESG philosophy and integration; ongoing ESG assessment; established framework; member of sustainability-oriented organizations; enhanced screening of firearms and/or higher-risk sectors</p> <p align="center">Very Good - 2 Detailed description of ESG philosophy and integration; ongoing ESG assessment; established framework; member of sustainability-oriented+B3 organizations</p> <p align="center">Satisfactory - 3 General description of ESG philosophy and integration; some evidence of framework for ongoing ESG assessment; member of sustainability-oriented organizations</p> <p align="center">Needs Improvement - 4 Generic and/or vague description of ESG philosophy and integration; no ongoing ESG assessment; no dedicated ESG staff or resources</p> <p align="center">Poor - 5 Incomplete or non-responsive</p>	2

NEPC Private Markets Investment Due Diligence Report

Mesirow Financial

Mesirow Financial Real Estate Fund IV, L.P.

Updated April 2021



Mesirow Real Estate Finance Fund IV, L.P.
Multifamily Real Estate

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Mesirow Real Estate Finance Fund IV, L.P.

Multifamily Real Estate

Executive Summary

Mesirow Financial Holdings, Inc. ("Mesirow," the "Firm," the "Manager," or the "General Partner") is targeting \$750 million of investor commitments for its fourth closed-end, US multifamily-focused value-add fund, Mesirow Financial Real Estate Value Fund IV, LP (the "Fund" or "Fund IV"). The Fund will follow a similar investment strategy to its predecessor Funds, Mesirow Financial Real Estate Value Fund, LP ("Fund I"), Mesirow Financial Real Estate Value Fund II, LP ("Fund II"), and Mesirow Financial Real Estate Value Fund III, LP ("Fund III").

Mesirow is an employee-owned financial services firm founded in 1937. The Firm has several lines of business, including investment management, global markets and investment banking, and wealth management. The Mesirow Financial Institutional Real Estate – Direct Investments department and its employees comprise the team of professionals dedicated to the Fund. The department was formed in 2007 and is led by Alasdair Cripps.

The Fund will follow a value-added investment approach, with up to 25% of the Fund invested in joint-venture development projects, and will exclusively target multifamily properties in the United States. The Manager intends to build a portfolio of assets diversified by investment strategy, asset age, urban/suburban, and geographic region.

As of March 31, 2021, the Fund has closed on approximately \$441 million of capital commitments with an additional \$190 million committed but not yet closed. The Fund is targeting a 10% to 12% total net IRR and a net equity multiple of 1.8x. The Manager anticipates holding a final close on April 30, 2021. The Fund has closed on two investments to date, a 276-unit garden-style apartment community located in the suburban market of Fort Worth, TX and a 409-unit high-rise joint venture development in Center City Philadelphia.



Mesirow Real Estate Finance Fund IV, L.P.

Multifamily Real Estate

Positives

- **Strong team with significant multifamily investing experience:** The senior investment professionals focused on the Fund have extensive experience investing in multifamily properties. The four investment professionals at the managing director level (Messrs. Cripps, Kendrick, Pierson, and Chiariello) have all been at the Firm since 2007 and average over 25 years of experience in the industry. The Fund should benefit from the team's cycle-tested experience and broad network of professional contacts.
- **Consistent track record:** The Manager has raised three prior value-add real estate funds Mesirow Financial Real Estate Value Fund, LP ("Fund I"), Mesirow Financial Real Estate Value Fund II, LP ("Fund II") and Mesirow Financial Real Estate Value Fund III, LP ("Fund III"). All three of these prior funds have generated positive returns since inception, and are generally on-track to meet or exceed their initial stated target net IRR of 11%. Fund I (a 2011 vintage year fund) is fully realized, and Fund II (a 2014 vintage year fund) has distributed more than 50% of invested capital back to investors thus far (as of December 31, 2020).
- **Positive demographic trends:** The multifamily market should continue to benefit from the continued growth in the millennial cohort as well as from "empty-nesters" who prefer the convenience of professionally managed apartments. While new supply has significantly increased within the multifamily sector since the global financial crisis, particularly in major market locations, net absorption has largely kept pace, resulting in strong occupancy levels. While the COVID-19 pandemic presents uncertainty about the future of migration patterns and tenant preferences, the Fund will have substantial capital to deploy into this market environment.
- **Lower volatility relative to other property types:** Multifamily assets tend to be less volatile than other main property types (e.g. office, retail, industrial) that are more reliant on broad economic growth and more susceptible to cyclicalities. Additionally, the short duration nature of apartment leases allows for faster recovery and can benefit from rising market environments as leases generally reset annually.

Mesirow Real Estate Finance Fund IV, L.P.

Multifamily Real Estate

Negatives

- **Focused strategy:** The Fund will be investing exclusively in multifamily real estate properties in the US. While this is aligned with the Manager's area of expertise, it also creates a concentrated portfolio relative to diversified funds that can cycle between property types depending on the relative attractiveness of each sector.
- **Near-term pressures on rent growth:** Although overall apartment fundamentals remain healthy, new supply in select markets is projected to outpace net absorption over the next several years which may lead to a buildup of excess inventory. In order to maintain occupancy, apartment owners may need to offer concessions or keep rental rate growth modest which would result in muted earnings growth. Mesirow has stated their intention to avoid "overheated" markets where new supply concerns are strongest. Another potential near-term headwind is the impact of COVID-19. While multifamily assets tend to be more resilient through periods of economic uncertainty or distress, some tenants may be unable to pay their rent in the near-term. The threat of COVID-19 may also make some urban markets less desirable. These factors may result in negative pressures on rental growth rates. While new supply is likely to have more of a regional or sub-market impact, the challenges resulting from COVID-19 are likely to impact the sector more broadly. As a potential positive, these negative pressures on rent may result in opportunities for the Fund to buy properties at a perceived discount and/or from distressed sellers as well.
- **Prior Fund's Relative Performance:** As noted above, the Manager has raised three prior funds, which have generally performed well on an absolute basis. These prior funds have mixed performance relative to their respective vintage year benchmarks, however¹. Fund I is in the fourth quartile on an IRR basis, third quartile on a TVPI basis, and second quartile on a DPI basis. Fund II is in the second quartile on an IRR basis, first quartile on a TVPI basis, and third quartile on a DPI basis. Fund III (a 2017 vintage year fund) is in the second quartile for both IRR and TVPI and in the fourth quartile on a DPI basis. It should be noted that the Manager's risk profile may be lower than some of the more opportunistic funds in the benchmark, which may rely on higher levels of leverage and/or more ground-up development. Mesirow has historically had approximately 55% loan-to-value at the property level, and has had very limited use of a fund-level credit facility. Furthermore, NEPC believes that the Fund's focus on multifamily (which has historically been a resilient sector through market cycles) provides additional downside protection.

¹ NEPC compared each fund to their vintage year benchmark, utilizing the CJA North American Value-Add and Opportunistic Real Estate benchmark. The Manager's track record data was provided by Mesirow as of December 31, 2020, and the benchmark data is as of September 30, 2020 (the most recently available).



Mesirow Real Estate Finance Fund IV, L.P.

Multifamily Real Estate

Firm Description

Mesirow Financial is a Chicago-based financial services firm that was founded in 1937. As of December 31, 2020, the Firm had approximately \$42.3 billion in assets under management and an additional \$105.5 billion in currency risk management assets. The Firm has a total of with approximately 500 employees located across 23 cities globally. In 2007, the Firm formed Mesirow Financial Institutional Real Estate – Direct Investments to manage direct real estate assets for institutional clients. Mesirow is 95% employee-owned, with 5% owned by individuals with a prior or current business relationship with Mesirow Financial. Approximately 300 individuals retain ownership (including senior investment professionals within Mesirow Financial Institutional Real Estate – Direct Investments). In addition to Investment Management, the Firm's other lines of business include Global Markets, and Wealth Management.

The Fund will be led by Alasdair Cripps, Chief Executive Officer and Co-Chief Investment Officer of the Mesirow Financial Institutional Real Estate – Direct Investments department. Ben Blakney, who joined the Firm in 2014, serves as President of the Institutional Real Estate – Direct Investments team. Mr. Cripps, along with two other managing directors on the team, Guy Chiariello and Charles Kendrick, joined the Firm in 2007 from Capri Capital Partners where they had worked together for several years.

Team Overview

The Fund will be led by Alasdair Cripps, Chief Executive Officer and Co-Chief Investment Officer of the Mesirow Financial Institutional Real Estate – Direct Investments department. Ben Blakney, who joined the Firm in 2014, serves as President of the Institutional Real Estate – Direct Investments team. Mr. Cripps, along with two other managing directors on the team, Guy Chiariello and Charles Kendrick, joined the Firm in 2007 from Capri Capital Partners where they had worked together for several years.

In total, the Firm has eighteen employees dedicated to the Fund, with Kevin Price leading asset management responsibilities, Brian Gant leading dispositions, and Mike Grippi leading acquisitions. Mr. Cripps and Mr. Kendrick serve as Co-Chief Investment Officers. The team will also leverage additional resources from the Mesirow platform, including client services, legal and compliance, human resources, information technology, communications, marketing and accounting and finance.



Mesirow Real Estate Finance Fund IV, L.P.

Multifamily Real Estate

Fund Investment Strategy

Investment Strategy

Mesirow Financial Real Estate Value Fund IV will follow a value-add, multifamily-focused strategy similar to its predecessor funds. The Fund will invest primarily in U.S. based multifamily properties, but may also invest in joint venture developments and student housing apartments. Development projects are expected to comprise no more than 25% of the overall portfolio. Given the overlap between the Manager's target market characteristics (areas with growing populations of young professionals) and areas that tend to have large university communities, it is expected that some of the Fund's assets will be primarily targeted towards a younger demographic cohort. These student housing assets will be limited to 15% of the Fund. The Manager, however, does not intend to invest in assets operated solely as student housing properties. Mesirow will also pursue build-to-core opportunities and will look to drive value through active management and repositioning of assets.

Although the Fund is expected to be diversified geographically, the Manager will specifically target certain urban metropolitan markets as well as certain suburban markets with favorable trends for the multifamily asset class. Some of the characteristics that the Manager has identified include population and/or migration growth, low unemployment rates and high job growth, barriers to entry for new supply, transportation and accessibility, and a large differential between the cost to own and the cost to rent.

Target Return

The Fund is targeting a 10-12% net IRR and a 1.8x net TVPI.

Target Fund Size and Status of Fund Raise

As of March 31, 2021, the Fund has closed on approximately \$441 million of capital commitments with an additional \$190 million committed but not yet closed. The Fund is targeting a 10% to 12% total net IRR and a net equity multiple of 1.8x. The Manager anticipates holding a final close on May 31, 2021.

Target Asset Types

All investments are expected to be in the multifamily property type, which is in line with the team's historical investment experience and the Manager's prior funds.

Target Geographic Focus

The Fund will target investments in the United States and is expected to be diversified with regard to geographic region. The Fund's legal documents restrict the Manager from making investments outside of the United States (without Advisory Committee approval).

Target Deal Size

Mesirow anticipates making investments ranging in size between \$50 and \$150 million, with an average of approximately \$90 million.

Target Fund Leverage

The Manager expects to apply leverage to individual investments in the 60% to 65% range (measured by loan-to-value, or LTV). Debt on multifamily investments is generally more available and less expensive than other property types, allowing for accretive financing. The Fund will be prohibited from using aggregate debt above 65% LTV across the portfolio and above 70% LTV on any single investment.

Investment Limitations

The Manager places an emphasis on performing extensive due diligence prior to investment in an effort to fully understand any potential risks with a particular asset or market. In addition, the Firm believes that active asset management by senior members of the team allows the Fund to respond quickly to changing market environments or changes as the asset level. There still exists, however, several risks that the Fund is subject to, including inflation risk, leverage risk, and development risk.



Mesirow Real Estate Finance Fund IV, L.P.

Multifamily Real Estate

Investment restrictions on Fund IV include the following (among others as defined in the Fund's legal documentation):

- The Fund will not invest more than 20% of commitments in any one portfolio investment
- The Fund will not invest more than 15% of the gross value of the Fund in the student housing sector
- The will not invest more than 25% of commitments in new development projects
- The Fund will not make any non-US investments

Manager's View of Current Market Conditions

The Manager believes that there will continue to be attractive investment opportunities in the multifamily market, though the exact trajectory of the economic recovery and migration patterns following the current COVID-19 pandemic remain uncertain. Mesirow continues to track its top 25 markets for investment opportunities, and observes clear "winners and losers," driven by factors such as home ownership affordability, state tax regimes, density, and local economic drivers.

The Manager believes that the multifamily sector has benefited and continues to benefit from strong fundamentals and favorable demographic trends. Mesirow is bullish on the multifamily market because renting momentum has increased for all cohorts under the age of 65 and the barrier to go from renter to homeowner for millennials is not easily overcome. While multifamily starts had been elevated leading up to the onset of the COVID-19 pandemic, they were still inadequate to meet the shortfall in housing that developed from 2009 to 2012. The pandemic, meanwhile, triggered a sudden slow-down in new development (as uncertainty increased and development financing became more scarce). Furthermore, the Manager observes that in many of their target markets home ownership remains expensive relative to renting, and is still unattainable for many. This has been exacerbated by the economic impacts of COVID-19 as well as inflation in building materials (which in turn drives up the value of both new and existing homes).

Mesirow approaches risk management by remaining disciplined in its market and asset selection, taking into consideration factors such as submarkets, submarket demand drivers, and each property's relative competitive position within that submarket. The Manager will focus on the following drivers of value to property investing, including: location and neighborhood amenities, positive neighborhood adjacencies, the quality of the immediate local infrastructure, high barriers to entry, high cost-to-own versus rent, proximity to employment nodes, the depth and quality of surrounding employment opportunities, proximity to public transportation, visibility and ease of navigation to and from the property, onsite amenities, and construction quality.



Mesirow Real Estate Finance Fund IV, L.P.

Multifamily Real Estate

Fund Economics

Sponsor's Investment

The GP will contribute 3% of total aggregate commitments up to \$10 million. The Institutional Direct Real Estate Investment Team will contribute \$4.3 million. In total the GP and the Team will commit \$14.3 million to the Fund.

Management Fee

The Manager has offered a discounted management fee of 0.85% on invested capital (subject to a minimum of 0.70% on committed capital) to the State of Connecticut with a commitment of at least \$75 million.

Distribution Waterfall

For commitment of \$75 million or more, the distribution waterfall is as follows:

1. Return of capital contributions: 100% to the LPs until the cumulative distributions to each LP equals the aggregate capital contributions of such LP
2. Preferred return: 100% to such LP until the cumulative distributions to such LP represents an 8% annualized effective internal rate of return on the aggregate capital contributions of such LP
3. 80/20 split: Thereafter, 80% to LPs and 20% to the GP

Other Fees and Expenses

The Fund will be responsible for all organizational costs (such as legal or accounting fees) up to \$1 million. The General Partner will be responsible for all such costs in excess of \$1 million. Insurance brokerage fees will be charged to the Fund. The Manager has indicated that no other fees will be charged to the Fund.



Mesirow Real Estate Finance Fund IV, L.P.

Multifamily Real Estate

Summary of Fund Terms

Investment Manager	Mesirow Financial
Investment Vehicle	Mesirow Real Estate Finance Fund IV, L.P.
Fund Structure	Delaware Limited Partnership
Target Size/Max Size	\$750 million
Amount Raised	\$441 million as of March 31, 2021
Minimum Investment Size	\$10 million, subject to General Partner discretion
Target Final Close Date	May 31, 2021
Investment Period	Three years from the date of the final closing
Fund Term	Eight years from the date of the final closing, subject to two one-year extensions
Deal Size	\$90 million average
Target Fund Return	10%-12% net IRR
Leverage Limitation	65% LTV target at the Fund-level
Investment Restrictions	<ul style="list-style-type: none"> • The Fund will not invest more than 20% of commitments in any one portfolio investment • The Fund will not invest more than 15% of the gross value of the Fund in the student housing sector • The will not invest more than 25% of commitments in new development projects • The Fund will not make any non-US investments • The Fund will not operate as a "fund of fund"
ERISA Fiduciary	The Manager has indicated that the Fund is a fiduciary similar to an ERISA fiduciary
Fund Auditor	Ernst & Young, LLP
Fund Legal Counsel	Greenberg Traurig, LLP
Placement Agents	None
Website	http://www.mesirow.com/



Mesirow Real Estate Finance Fund IV, L.P.

Multifamily Real Estate

Disclaimers and Disclosures

- Past performance is no guarantee of future results.
- The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.
- Information on market indices was provided by sources external to NEPC, and other data used to prepare this report was obtained directly from the investment manager(s). While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

In addition, it is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds, real estate and private equity:

1. Performance can be volatile and investors could lose all or a substantial portion of their investment
2. Leverage and other speculative practices may increase the risk of loss
3. Past performance may be revised due to the revaluation of investments
4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value
6. These funds are not subject to the same regulatory requirements as registered investment vehicles
7. Managers may not be required to provide periodic pricing or valuation information to investors
8. These funds may have complex tax structures and delays in distributing important tax information
9. These funds often charge high fees
10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy



Connecticut Retirement
Plans and Trust Funds (CRPTF)



Investment Advisory Council (IAC)

Shawn T. Wooden – Treasurer, State of CT Ellen Shuman – Chairperson of IAC

Mesirow Financial Real Estate Value Fund IV, L.P.



April 14, 2021

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I. Mesirow Financial Overview

Mesirow Financial Overview



- § Independent and diversified financial services firm with expertise in Investment Management and Global Markets.
- § Founded in 1937 - employee-owned and privately-held
- § Headquartered in Chicago with approximately 487 employees globally in offices across the United States, London and Hong Kong.
- § Premier provider of alternative investment management solutions with total firm assets under management of \$42.3 billion and an additional \$105.5 billion in currency risk management assets as of December 31, 2020⁽¹⁾.
- § A deep infrastructure in areas such as: client service, legal & compliance, IT, human resources, communications, economic research and accounting.

(1) Mesirow Financial's Investment Management Division has \$42.3 billion in assets under management, and an additional \$105.5 billion in currency risk management assets as of December 31, 2020. In addition, Mesirow Financial has \$53.6 billion in assets under advisement in fiduciary services. Real Estate assets include regulatory assets under management (gross asset value plus unfunded commitments). The most recent data is preliminary and estimated. Private Equity assets under management are calculated by adding uncalled commitments and net asset value as of a period end. The most recent data is preliminary and estimated. Mesirow Financial Currency Management AUM reflects assets under management for both currency risk management products (passive and active management) and alpha and macro products. Risk management product AUM reflects the total foreign currency portfolio exposure of passive and active clients' underlying portfolios allocated to the Currency Division of Mesirow Financial. Alpha and macro product AUM reflect the client's total investment amount in the alpha and macro strategies of the Currency Division of Mesirow Financial, which is calculated based on an annualized 2% volatility target. Investment management services provided through Mesirow Financial Private Equity Advisors, Inc., Mesirow Financial Investment Management, Inc., both SEC-registered investment advisors.

II. Mesirow Real Estate Value Funds Platform

Mesirow Financial Institutional Real Estate – Direct Investments Overview

Current Offering

- § Mesirow Financial Real Estate Value Fund IV, L.P. ("Fund IV")
- § \$500-\$750 Million (hard cap): The investment offering features a value-added commingled real estate fund focused primarily on the U.S. multifamily value-add sector with a secondary focus on the joint venture multifamily development sector.
- § Target Returns: 12% - 15% gross of fees and expenses, 10% - 12% net of fees and expenses
- § Committed: \$631.0 million Currently closed: \$441.0 million

Track Record

Fund Name	Vintage Year	Equity Raised (\$MM)	Total Assets (\$MM)	Gross Fund IRR (Inception through 12/31/20)	Net Fund IRR (Inception through 12/31/20)	Realizations Property IRR (Inception through 02/26/21)	Equity Multiple (Inception through 02/26/21)	LTV (Inception through 12/31/20)
MFREVF I ("Fund I")	2011	\$379.33	\$1,254.12	15.04%	11.37%	15.71%	1.84	55.56%
MFREVF II ("Fund II")	2014	\$545.83	\$1,722.93	13.56%	11.22%	19.24%	2.01	53.48%
MFREVF III ("Fund III")	2017	\$567.02	\$1,478.32	12.27%	9.38%	N/A	N/A	54.83%
MFREVF IV ("Fund IV")	2020	\$441.00	\$492.42 *	N/A	N/A	N/A	N/A	N/A
Total		\$1,933.18	\$4,947.79					

* For Fund IV, includes capital commitments closed into the Fund plus gross asset value of properties acquired via the Fund's credit line

- § As a matter of principle and practice, the General Partner has not used a subscription line / credit facilities in excess of 2% of committed capital in any Fund.
- § The Mesirow Real Estate Value Funds platform is green star rated by GRESB. Additionally, the Mesirow Institutional Real Estate Direct Investments Team has been rated an "A" by the UN PRI with respect to ESG goals and objectives.

Institutional Real Estate-Direct Investment Team










- § Experienced - Average experience of 28 years
- § Cohesive - Senior investment professionals have worked together for over 20 years
- § Knowledgeable - Senior investment team has managed approximately 35,000 multifamily units










Commitment to Investors

- § Mesirow Financial will co-invest 3% of committed capital up to \$10.0 million in Fund IV
- § Significant co-investment by senior professionals in each of Fund I, Fund II, Fund III and Fund IV.

These funds are closed and not open to new investors. Nothing contained herein constitutes an offer to sell nor a solicitation of an offer to buy an interest in any Mesirow Financial investment vehicle(s). Any offer can only be made to Qualified or "accredited" investors and through the appropriate Offering Memorandum. The Memorandum contains important information concerning risk factors and other material aspects of the investment and should be read carefully before an investment decision is made. There can be no assurance that proposed terms or projected results will be achieved and materially different results may be achieved. Client returns will be reduced by advisory, management or any other such fees and expenses that may be incurred in the management of the account. Advisory Fees are described in MFDRE's Part 2 of Form ADV. Past performance is not indicative of future results. Please see disclosure at the end of this presentation for additional, important information.

Mesirow Financial Institutional Real Estate – Direct Investments Team

	NAME	TITLE	YEARS EXPERIENCE
	Senior Managing Team		
	Alasdair Cripps*	CEO and Co-Chief Investment Officer	32
	Benjamin Blakney	President	34
	Charlie Kendrick*	Senior Managing Director and Co-Chief Investment Officer	28
	John Pierson	Senior Managing Director and CFO	30
	Kevin Price	Managing Director and Head of Asset Management	24
	Mike Grippi	Managing Director and Head of Acquisitions	22
	Add'l Investment Committee		
	Richard Price*	Chairman and CEO of Mesirow Financial	48
	Dennis Black*	Senior Advisor to the Chairman, Secretary of Mesirow Financial	49
	Dominick Mondini*	Senior Advisor to Capital Markets	39

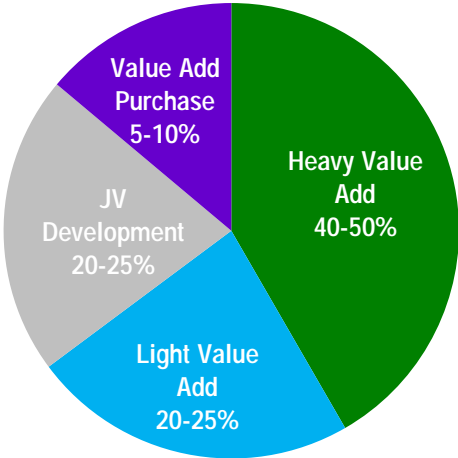
	NAME	TITLE	YEARS EXPERIENCE
	Additional Team Members		
	Brian Gant	Senior Vice President and Head of Dispositions	24
	Guy Chiariello	Managing Director	39
	Lori Rodriguez Casey	Senior Vice President of Asset Management	31
	Tracey Ungaretta	Senior Vice President of Asset Management	30
	Tim Strang	Senior Vice President of Acquisitions	23
	Pan Yuen	Vice President of Finance	22
	Jonathan Youhanaie	Vice President of Acquisitions & Finance	8
	Rebecca Carriere	Investment and Marketing Associate	10
	Carlos Covarrubias	Associate	3

* Denotes member of the Investment Committee.
Please see disclosures at the end of the presentation for additional important information.

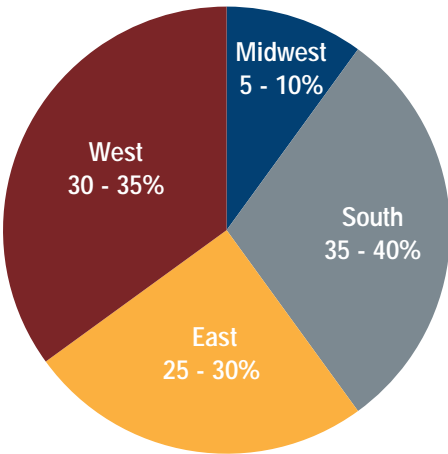
III. The Investment Opportunity

Mesirow Financial Real Estate Value Fund IV, L.P.

Strategies



Geographic Focus



- § **Capitalization:** \$500-\$750 Million (hard cap)
 - Committed: \$631.0 million Currently closed: \$441.0 million
- § **Structure:** Closed-end Fund
 - Investor Commitment Period: May 1, 2020 through April 30, 2021
- § **Strategies:**
 - Multifamily Value-added: renovations, repositionings, substantial lease-ups and management enhancements
 - Development: targeted JV developments not to exceed 25% of the portfolio
- § **Term:** 8 years, inclusive of a 3 year investment period
- § **Geographic Focus:** Nationwide with approximation to NCREIF Property Index diversification (West: 30-35%, Midwest 5-10%, East 25-30%, South 35-40%)
- § **Target Return:** 12% - 15% gross of fees and expenses
10% - 12% net of fees and expenses
- § **Leverage:** Up to 65% on a portfolio basis

Summary of Principal Terms

Mesirow Financial Real Estate Value Fund IV, L.P.

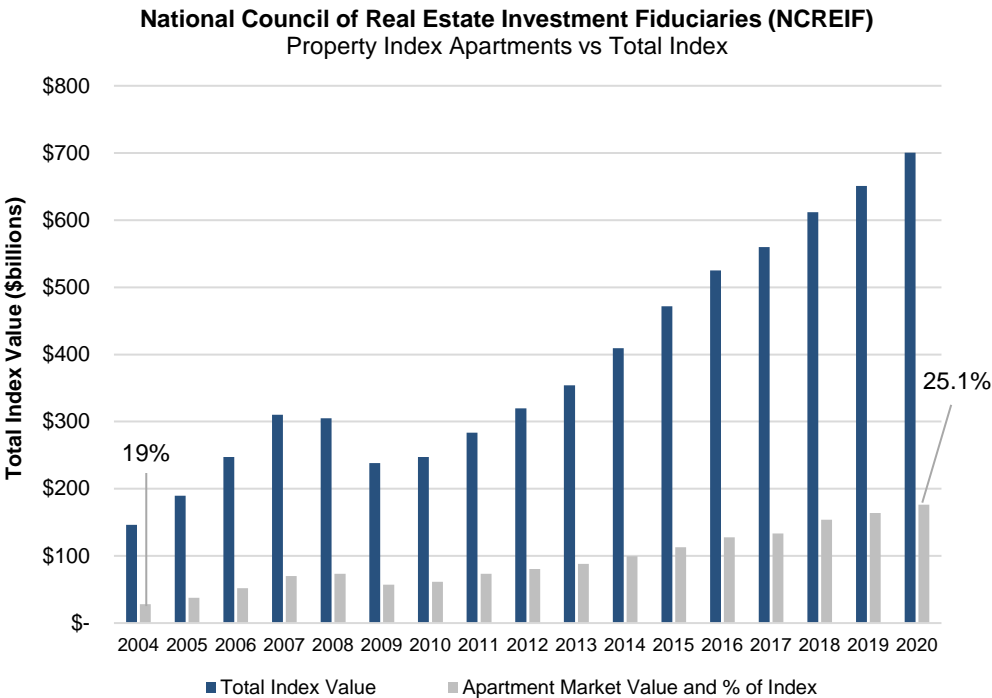
Fund Size:	\$500 - 750 million (hard cap)	
Investment Objective:	To construct a portfolio of high quality core-plus, value-added, and joint venture development with a focus on the U.S. multifamily sector	
Management Fee:	For commitments of less than \$25 million during Investment Period:	1.50% on invested capital, subject to a minimum of 1.10% on committed capital during the Investment Period
	For commitments of \$25 million to \$50 million during Investment Period:	1.35% on invested capital (10% discount), subject to a minimum of 1.00% on committed capital during the Investment Period
	For commitments of more than \$50 million during Investment Period:	1.00% on invested capital (33.33% discount), subject to a minimum of 0.80% on committed capital during the Investment Period
Proposal for CRPTF:	For a commitment of more than \$75 million during Investment Period:	0.85% on invested capital (43.33% discount), subject to a minimum of 0.70% on committed capital during the Investment Period
	One Advisory Board seat for committed capital of \$75 million	
	Post Investment Period:	Same fee schedule based upon invested capital
Distributions:	<div>On a portfolio basis:</div> <ul style="list-style-type: none">• return of capital• 8% preferred return• 75% L.P. / 25% G.P. • no "Catch-Up"	
Maximum Leverage:	65% on portfolio basis 70% on an individual transaction	
Minimum Commitment:	\$5.0 million, subject to G.P.'s discretion	
G.P. Commitment:	3% of total capital capped at \$10.0 million	
Employee Side Fund:	Certain Mesirow Financial professionals will be investing as an L.P.	

IV. Multifamily Market Fundamentals

U.S. Apartment Market: Sector Depth & Liquidity

Sector Depth:

- § Cumulative value of the U.S. housing market is approximately \$36.2T as of Q4 2020
- § Apartments represent \$3.4T or approximately 9.3% of the total U.S. housing market
- § U.S. home ownership was 65.8% at the end of 2020 down from 69.2% at the end of 2004
- § NCREIF Property Index ended 2020 with a total value of \$700B, representing an increase in value of \$462B or 67% from the GFC low of 2009
- § NCREIF Apartment index ended 2020 with a total value of \$176B or 25.14% of the index, representing an increase in value of \$119B or 67.6% from the GFC low of 2009

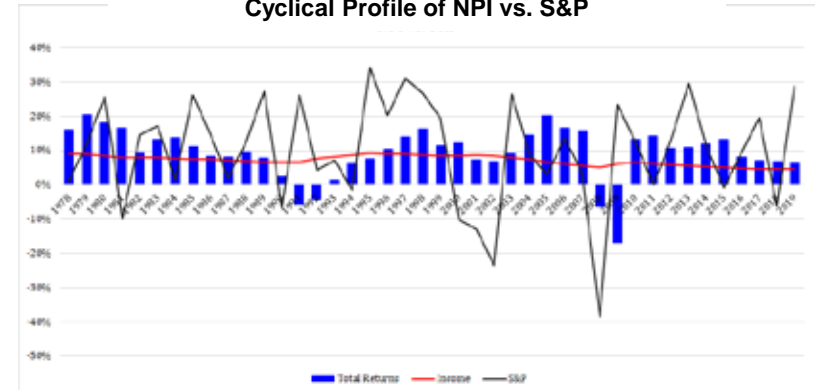


Market Response to Pandemic Challenges

Durability of Income

- § Income portion of real estate total returns contributes to the cash flow stability of the asset class.
- Ø Real estate generates a lower volatility of returns (7.37% vs. the S&P at 15.63%) which enhances its defensive resiliency (four years of negative returns vs. eight years of the same for the S&P).
- Ø The durability of rents attributable to the asset class as a whole is enhanced with respect to the multifamily sector since the inelasticity of space demand easily exceeds the comparable metric for the property sectors of office, industrial, retail, and hotels.
- Ø Unlike other property sectors there are no virtual substitutes for having a roof over your head.

Cyclical Profile of NPI vs. S&P

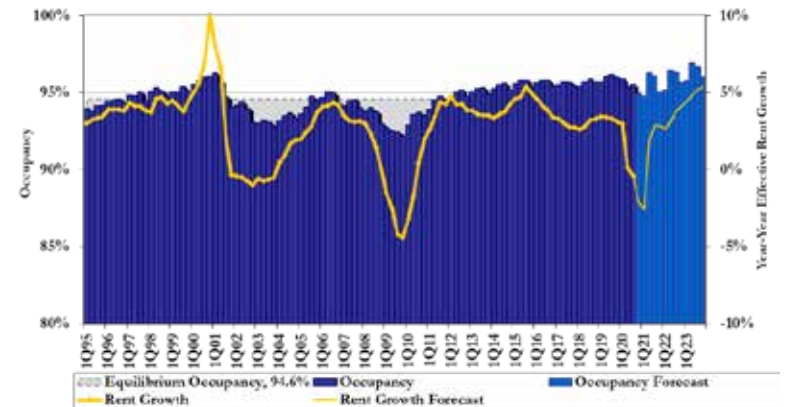


Source: NCREIF, Macrotrends.net, Mesirow

Resilient Fundamentals

- § Multifamily fundamentals withstood the challenges of Covid-19 in 2020 with fundamentals expected to improve through 2023 as reemployment momentum accelerates.
- Ø At year-end 2020, the U.S. Multifamily sector continued to boast the lowest vacancy rate of the four major property types posting a rate of 5.1%. This figure is 300 bps lower than the 12-year peak rate of 8% at 12/31/09.
- Ø Occupancy at 12/31/20 despite the economic disruption related to social distancing, slow downs and shut downs remained 30 bps over the long-term average of 94.6%.
- Ø Rebounding rents are expected to recover from losses in late 2021, then are projected to accelerate to levels exceeding 5% through 2023.

Historical and Projected Fundamentals



Source: Witten Advisors, LLC

Source: Witten Advisors, LLC

Multifamily Market – Demand Continues to Outpace Supply

- § The housing market is substantially underbuilt. Aggregate annual housing starts between 1960 to 2010 averaged 1.5M units.
- Ø Since the turn of this decade the average number of starts has fallen 40 percent to 0.9M.
- Ø Several years of 1.5M+ starts are needed to address the imbalance. Production is currently approximates at 1.25M.
- Ø Weaker household formation in late '20, plus a return to 1m+ single family starts should lessen, but not resolve, the U.S. housing shortage.¹
- Ø As of 4Q2020 the U.S. multifamily sector projects a shortfall of -465,760 units of investment grade product, representing a 12% decline in the underbuild that was projected at year-end 2019.
- Ø Net annual completions sustained at record levels would require an amortization window of nearly 10 years in order to eliminate the supply trough.

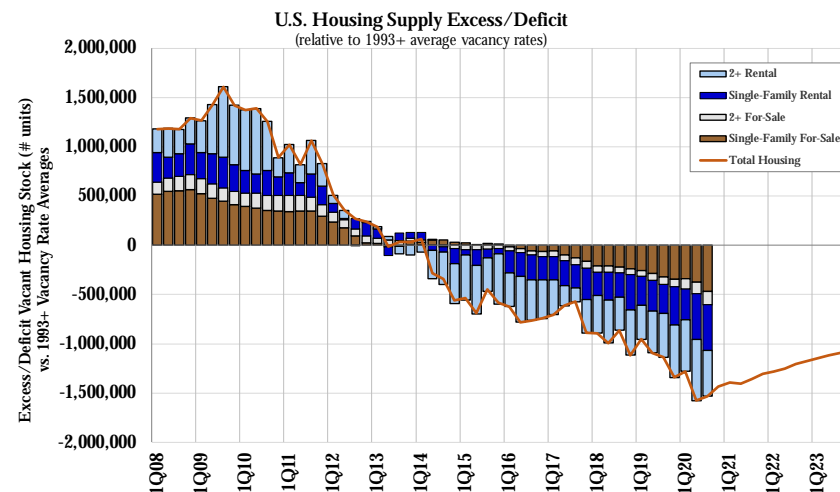
§ Despite the Pandemic, Covid relief and stimulus based payments tempered the total number of move outs in 2020.

§ Increasing population, favorable demographics and rising apartment affinity will push demand to exceed net supply as the market recovers through 2021.

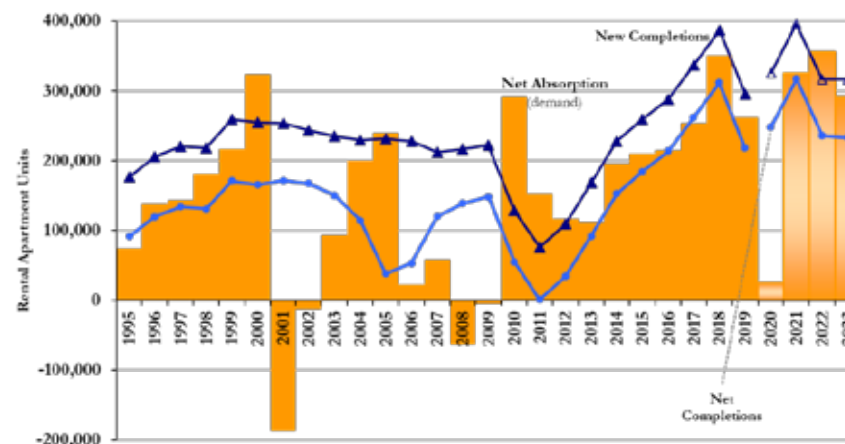
- Ø In 2022 absorption should exceed net supply by 250,000 units and maintain a positive spread over net completions through 2023.²

¹ Source: U.S. Department of Commerce and Witten Advisors, LLC

² Source: Witten Advisors, LLC



U.S. Multifamily Market Equilibrium 1995-2023

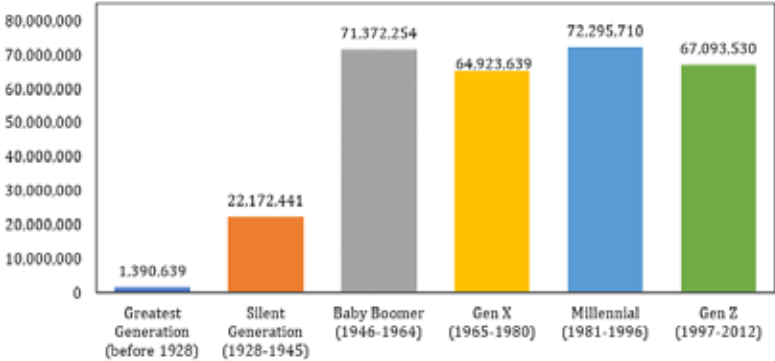


Source: Witten Advisors, LLC

Enduring Demographic Trends

- § Renting momentum has been sustained for all cohorts under the age of 65 and has increased for households with incomes exceeding \$100K+.
- § HH heads aged 60-65 registered a rental choice increase of 43% between 2010 – 2017.
 - Ø Millennials have surpassed Baby Boomers as the largest generational cohort within in U.S.
 - Ø Gen Z spending patterns and propensity to rent should provide tailwinds for the apartment sector in the coming decade as they continue to overtake the Baby Boomers in size.

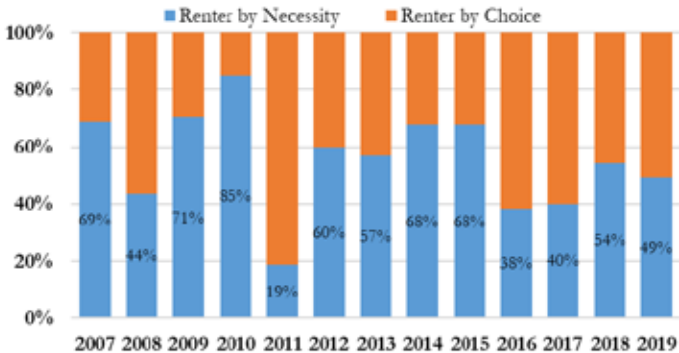
U.S. Demographic Profile 2020



Sources: US Census, Monthly Postcensal Resident Population, Internal Research Updates, statista.com; and Mesirow

- § Renters by necessity earning less than \$100K annually and renters by choice earning in excess of \$100K annually equally influence renter household growth during 2019.
 - Ø The transition from rentership to ownership is not the right of passage it was once considered to be nor as easily achieved.

Composition of Apartment Renter Growth by Segment
(<\$100K = Necessity, \$100K+ = Choice)



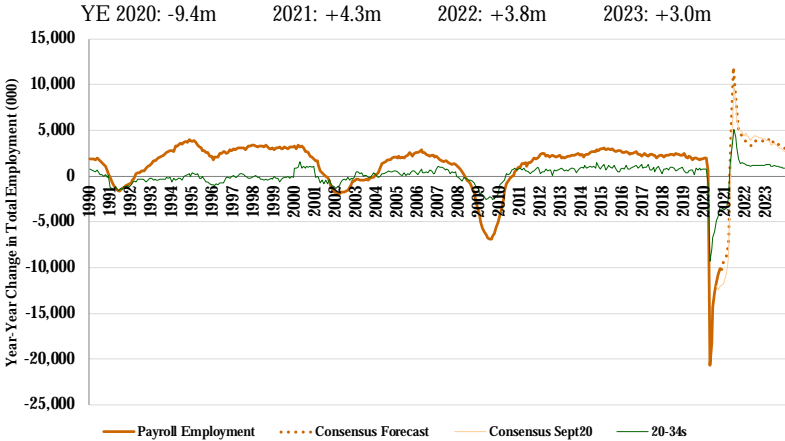
Source: Witten Advisors, LLC

Source: Witten Advisors, LLC

Operating Integrity, Portfolio Stability, and Risk Mitigation

- § The rent affordability stress disrupting the operating integrity of work force and affordable rentals does not challenge the durability of our income producing assets because our tenant mix is not as exposed to service sector unemployment volatility.
- Ø An overview of U.S. labor queue dislocation confirms that 62% Pandemic related unemployment claims were concentrated with individuals earning less than \$47K of annual income, 32% individuals earning \$47K – \$71K, and approximately 6% earning an excess of \$71K.¹
- Ø The average median income collar reflecting rent affordability of our residents ranges from \$60K - \$120K.¹
- Ø Our value-added product is insulated against the upstream drag of luxury rents at \$2,400 per unit by targeting a price point for rents that are optimally positioned between \$1,750 - \$1,850 per unit.¹
- Ø The favorable positioning of our rent and income collars enhanced the stability of our portfolio property cash flows.¹
- § Portfolio diversification, investment discipline and risk mitigators for Fund II and III reinforced a potent platform that continued to protect and sustain the operating integrity of portfolio assets.
- Ø Despite the challenges created by Covid-19 monthly collections across our operating assets in Fund II and Fund III range from 97.2% - 99.8% during the months of March - December 2020.¹
- Ø The national average for multifamily collections throughout the U.S through April – September was reported as 95.1%. Mesirow portfolio collections, versus billables average 98.85% during that same period reflecting the effectiveness of our risk mitigation tactics.¹
- Ø Cash distributions in the second and third quarters of 2020 exceeded distributions for the same period in the prior year, pre-Covid era.¹

Historical Profile and Projection of Job Loss and Employment Regeneration 1990-2023



Sources: U.S. Bureau of Labor Statistics, Witten Advisors

Mesirow Collections vs. National Multifamily Average Collections



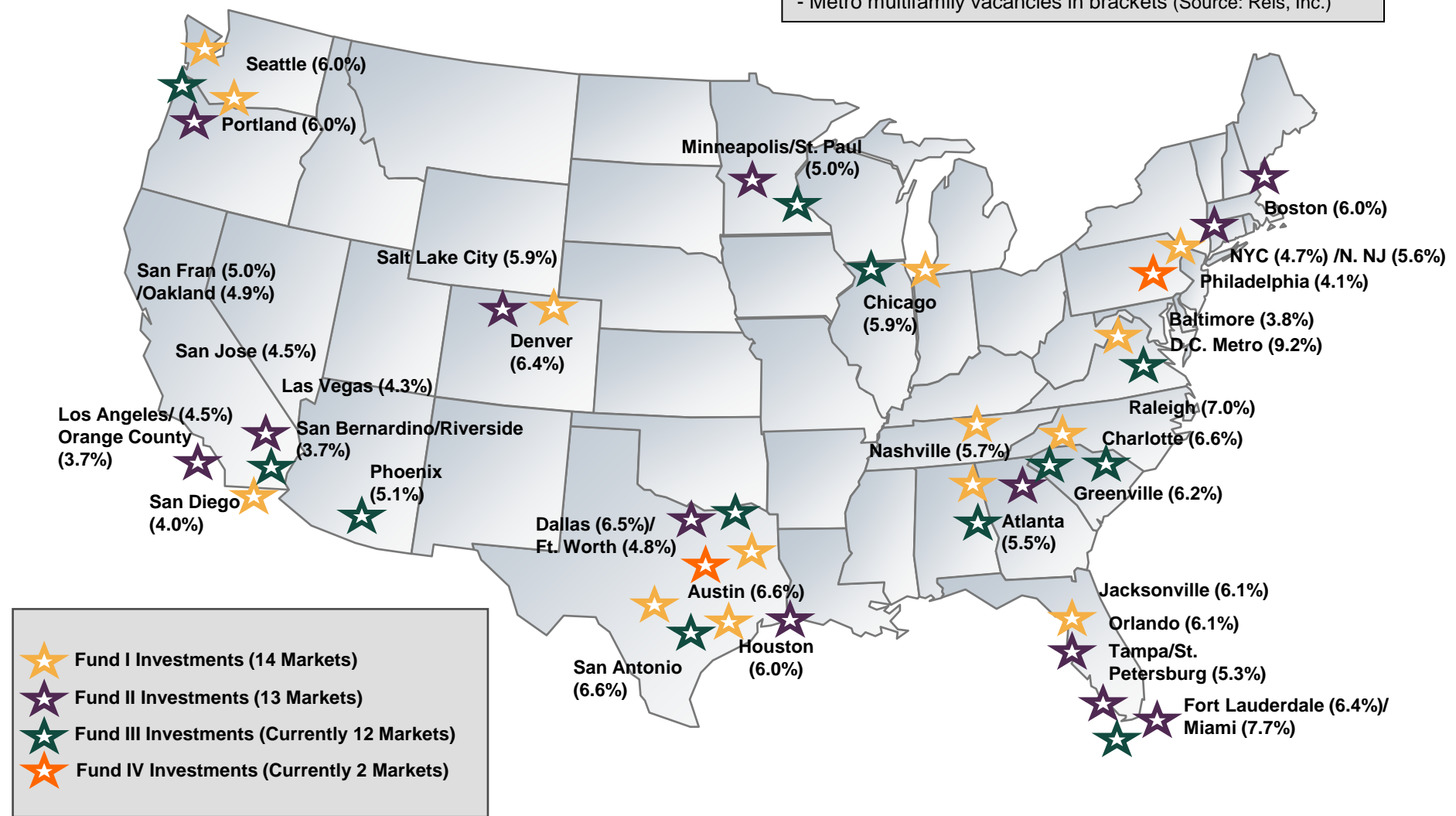
Sources: NKF, NMHC, Mesirow (file name: Collection Data). Good for 2020 Review

¹Source: Witten Advisors, LLC

V. Portfolio Acquisition Plan

Target Markets for the Real Estate Value Fund Series Portfolio Properties

- National Apartment Vacancy at December 31, 2020: 5.2%
- Metro multifamily vacancies in brackets (Source: Reis, Inc.)




VI. Fund IV Acquisitions

Fund IV

The Scenic at River East, Fort Worth, TX

PROPERTY STATS	
Class	Class A
Year Built	2018
Location	Fort Worth, TX
Structure(s)	Three-story garden-style apartment community with gated entry spanning 20 buildings (19 residential buildings plus a clubhouse/leasing building).
Size	276-unit garden-style multifamily
Occupancy	94.2% (as of 03/03/21)
Amenities	A third-floor resident sky lounge and terrace; a leasing office; a fitness center; a resort-style swimming pool; a pool pavilion; two dog parks; and garage, carport and surface parking spaces.
TRANSACTION DETAILS	
Investment	The Scenic at River East
Investment Closed	December 11, 2020
Purchase Price	\$51.25 million
Price Per Unit	\$185,688
Special Feature	5-year real estate tax abatement due to Opportunity Zone locale

CASE STUDY: Light Value-Add



The Scenic at River East, Fort Worth, TX

CAPITAL RENOVATIONS

Total Capital Invested \$820K or
\$3K per unit

AMENITY & EXTERIOR IMPROVEMENTS

- § Light clubhouse refurbishments
 - § Package Concierge
- § Sky Lounge Renovations
- § Light outdoor kitchen/social space refurbishments
- § LED lighting retrofit
- § Light pool enhancements
- § Construct 30 car ports for resident leasing
- § Light fitness refurbishments
- § Convert all non-efficient water elements pursuant to ESG/Green initiatives

INTERIOR IMPROVEMENTS

- § Premium closet organizing system
- § USB ports in kitchens and master bedrooms
- § Smart-enabled thermostat
- § LED lighting in kitchen area
- § Premium barn-style sliding doors in select units
- § Install low-flow water technology in support of ESG initiatives

Outdoor Residents Lounge



Resort-Style Pool



Fund IV**12th & Sansom, Philadelphia, PA****PROPERTY STATS**

Class	Class A
Year Built	Fall of 2023
Location	Philadelphia, PA
Structure(s)	20-story high-rise luxury apartment building, structured parking, and 10,700 rentable retail square feet.
Size	409-unit high-rise multifamily
Occupancy	N/A
Amenities	A leasing lounge, a Club Room with a pool and outdoor amenity space, a fitness center, coworking space, and a Sky Lounge with outdoor amenity space on the 20th floor.

TRANSACTION DETAILS

Investment	12th & Sansom
Investment Closed	February 3, 2021
Purchase Price	\$182.10 million
Price Per Unit	\$445,232

OVERVIEW

The project is less than a block from Thomas Jefferson University and Hospital ("TJUH"), Philadelphia's largest employer. The site is one of the last remaining large development sites in Center City. The project's location at 12th & Sansom is near Restaurant Row, multiple SEPTA rail stops as well as large employers. TJUH is also expanding their presence by building a 19-story, 462,000 square foot Specialty Care Pavilion at a cost of over \$760 million within a block of 12th and Sansom project. The 12th and Sansom project will be constructed by a joint venture between Greystar and the Fund. The opportunity was offered to the Mesirow Financial Institutional Real Estate Direct Team on a "direct" basis as a result of our relationship with Greystar.

CASE STUDY: Ground-Up New Development

VII. Repositioning Strategies

Value-Added Investment Opportunities

I. Heavy Value-Added Repositioning	II. Light Value-Added Enhancement	III. Value-Added Purchase	IV. Ground-Up New Development
Typically 10 – 25 year-old product	Typically 5 – 15 year-old product	Typically newer product	JV with high quality local developers – control asset upon completion
Heavy renovation of units and common areas	Light enhancements to units (e.g., new flooring, countertops and appliances)	Opportunistic purchase of core or core-plus asset	Typically in dense urban markets where build to core is materially cheaper than buying core
Strategic location and discounted price justify higher cap ex requirements	Transition property to a core or core-plus asset to increase sale value	Often involves some lease-up risk and/or pushing rents to market levels	Sell to core buyers at premium
			

VIII. Asset Management / Case Studies

Fund II

The Station at MacArthur - Irving, Texas (Dallas MSA)

PROPERTY STATS

Class	A-
Year Built	1994
Strategy	Suburban / Transit
Location	Irving, TX (Dallas MSA)
Product	Townhouse w/direct access garages
Size	444 units
Occupancy	93.2% (at disposition)

TRANSACTION DETAILS

Investment Closed	October 15, 2015
Purchase Price	\$74.0M
Invested Capital	\$9M or \$20K per door
Sales Price	\$108M
Project IRR	16.92%
Equity Multiple	1.90%

Exterior Pre-Renovation



Exterior Post-Renovation



The Station at MacArthur – Irving, Texas (Dallas MSA)

REVENUE HIGHLIGHTS

Total Income at Acquisition	\$7,116,000
Total Income at Disposition	\$8,442,000
Effective Income	15.7%

EXPENSE HIGHLIGHTS

Controllable Expenses at Acquisition	\$1,860,000
Controllable Expenses at Disposition	\$1,411,000
Controllable Expense Growth	-24.1%

NET OPERATING INCOME HIGHLIGHTS

NOI at Acquisition	\$3,950,000
NOI at Disposition	\$5,186,000
Total NOI Growth	23.8%



The Station at MacArthur, Irving, Texas (Dallas MSA)

CAPITAL RENOVATIONS

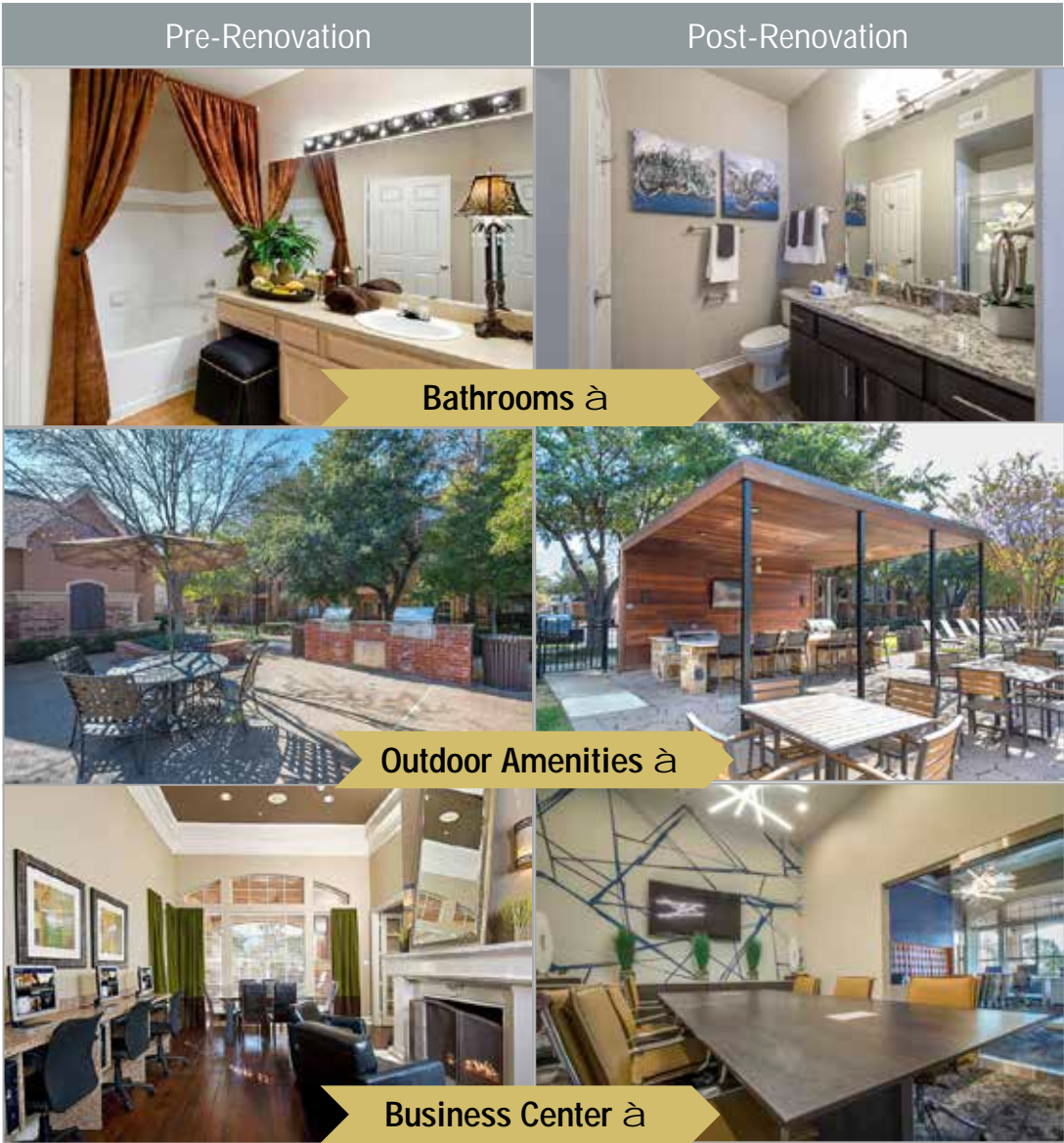
Total Capital Invested \$9M or \$20K per unit

AMENITY & EXTERIOR IMPROVEMENTS

- § Clubhouse remodel
 - § Co-working space
 - § Package Concierge
- § Outdoor kitchen & social space
- § LED lighting retrofit
- § Pool enhancements
 - § Modern decking and FF&E
- § 2,500 sq/ft fitness studio
 - § Peloton spin room

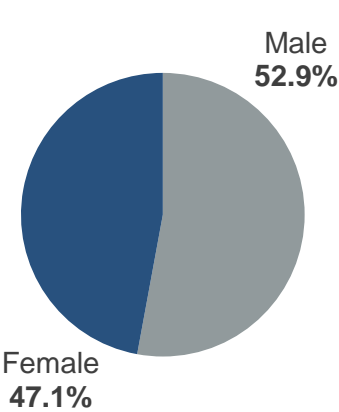
INTERIOR IMPROVEMENTS

- § Stone countertops
- § Stainless steel appliances
 - § Energy Star rated
- § Cabinet refinishing
- § Plank flooring
- § Smart home technology
- § Low flow water devices
- § LED lighting
- § Paint and hardware

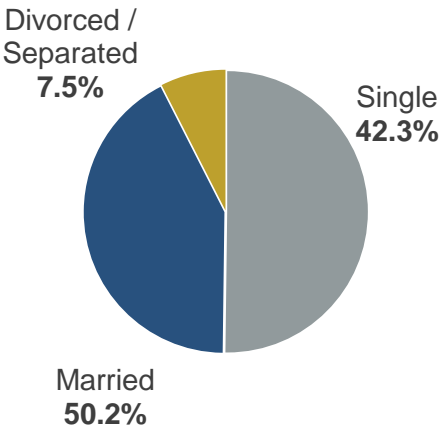


The Station at MacArthur, (Dallas MSA)

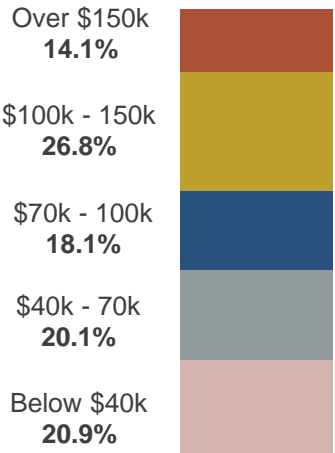
RESIDENT PROFILE



RESIDENT PROFILE

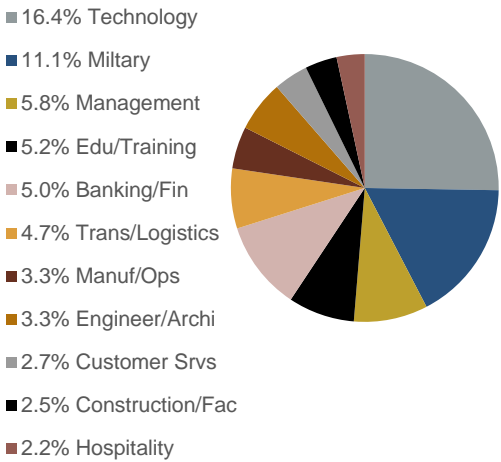


HOUSEHOLD INCOME



Median Income = \$87,000

TOP OCCUPATIONS



Package Concierge

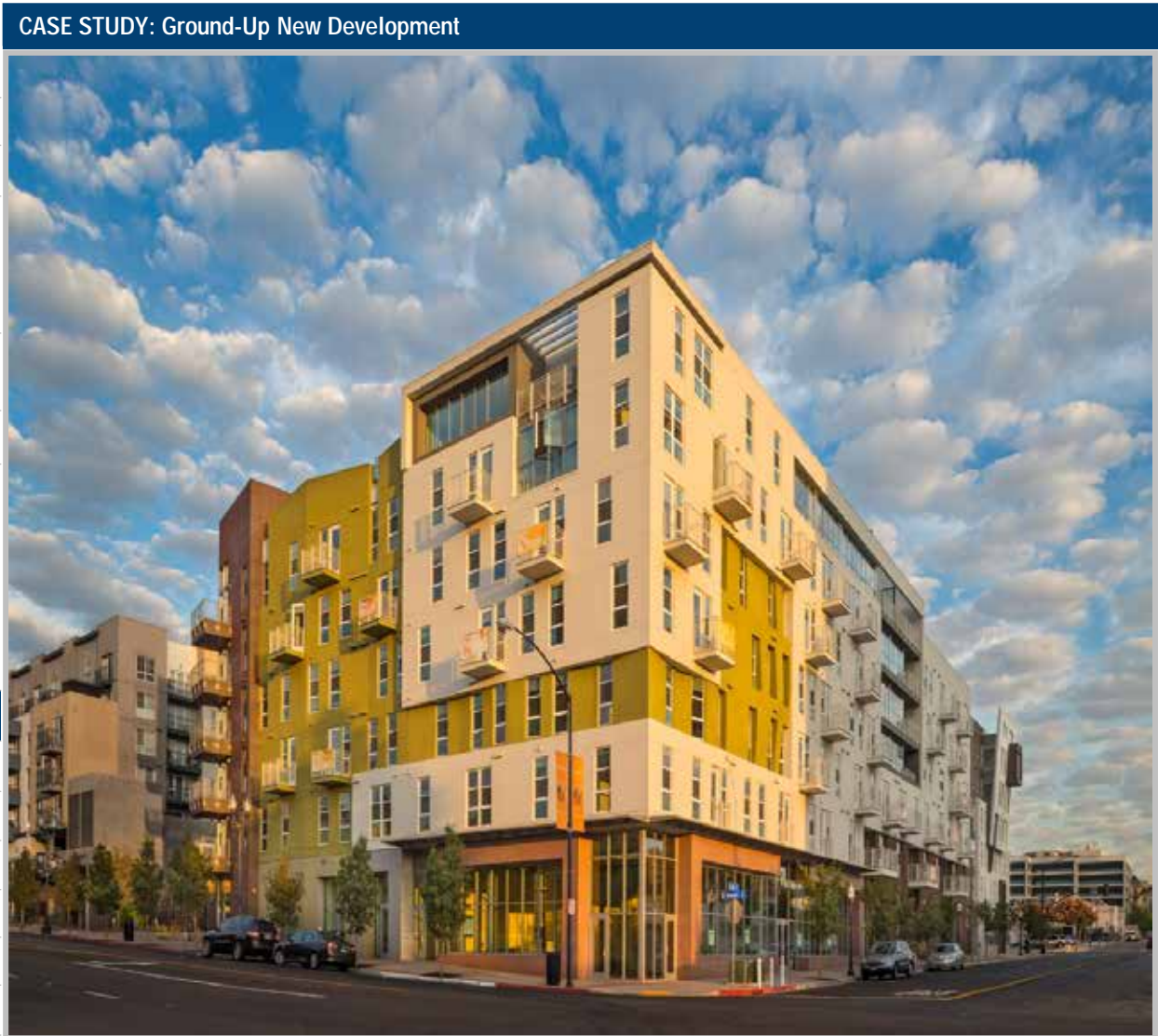


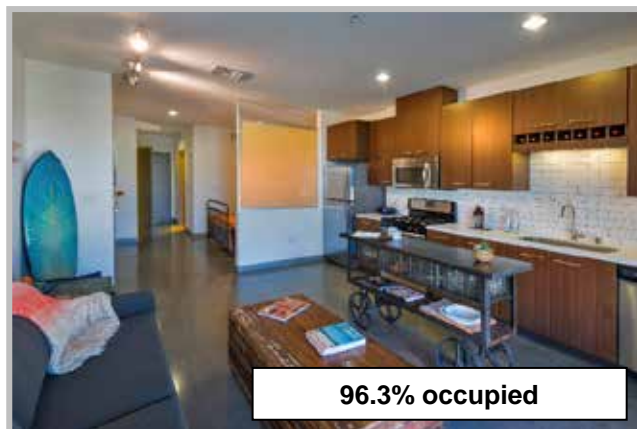
New Spin Room



Fund I

PROPERTY STATS	
Class	Class A
Year Built	2014
Location	San Diego, CA
Structure(s)	1 six-story building, 10,000 sf of ground floor retail and 2 stories of underground parking
Size	242 unit mid-rise multifamily
Occupancy	96.3% (as of 12/31/15)
Amenities	Business center, gaming and community room/clubhouse, fitness center, patio w/Wi-Fi, pool, spa, rooftop deck, fireplaces, grills , and dog run.
TRANSACTION DETAILS	
Investment	Form 15
Investment Closed	May 31, 2012
Sale Date	March 23, 2016
Purchase Price	\$69.25 million
Sale Price	\$97.4 million
Price Per Unit	\$286,181





96.3% occupied



Built On-Time & On-Budget



**Actualized IRR: 20.07%
Equity Multiple: 1.85**

Transaction/Opportunity

- § The opportunity was offered to the Team on an “off-market basis” as a result of our relationship with the Holland Partners Group. 15th and Market Street is a joint venture development between the Fund (90%) and Holland Partners Group (10%). The total equity investment is \$24.22 million of which the Fund invested \$21.798 million. The Fund has final authority on all major decisions. The property was issued a final certificate of occupancy in August 2014.
- § Holland serves as developer and general contractor, and utilizes a guaranteed maximum construction contract. Holland is also guaranteeing the project's completion and any cost overruns.
- § The projected yield-to-cost at stabilization is 6.65%.
- § These guarantees are secured by a personal guaranty of Clyde Holland's business assets totaling \$75.2 million.

Strategy

- § The strategy for Form 15 is to take advantage of the large differential between core cap rates achieved on today's sales of stabilized properties versus the cap rate that one can build to (yield-on-cost). In addition, new developments in strong markets with high barriers to entry should allow for the ability of the property to grow rents and, thereby, the property's value in the future.

Result

- § 96.3% occupied at December 31, 2015
- § Built Form 15 with our development partners on-time and on-budget
- § Sold the property for \$97.4 million to a publicly-traded “REIT.” Investors achieved an IRR of approximately 20.07% and an equity multiple of 1.85.

IX. Investment Performance

Investment Summary	
Total Real Estate Investments at Estimated Market Value ¹	\$0
Debt ¹	\$0
Net Asset Value ²	\$0
Capital Commitment ³	\$379,325,000
Capital Called ³	\$390,339,580
Number of Investments	0
Cash Balance of Fund ⁴	\$0
Distributions Since Inception ³	\$667,755,196
Fund Closing Date	June 30, 2012
Number of Institutional Investors	19

¹ Reflects adjustment to fair value.

² Net asset value is based on values from internal valuation of real estate assets and estimated market valuations of debt obligations, which are subject to significant assumptions and uncertainties.

³ The capital commitments, called capital, and distributions for the Total Fund include the amounts for the parallel employee fund. Includes capital called for asset management fees and callable capital that had been previously distributed to investors.

⁴ Includes unrestricted cash only

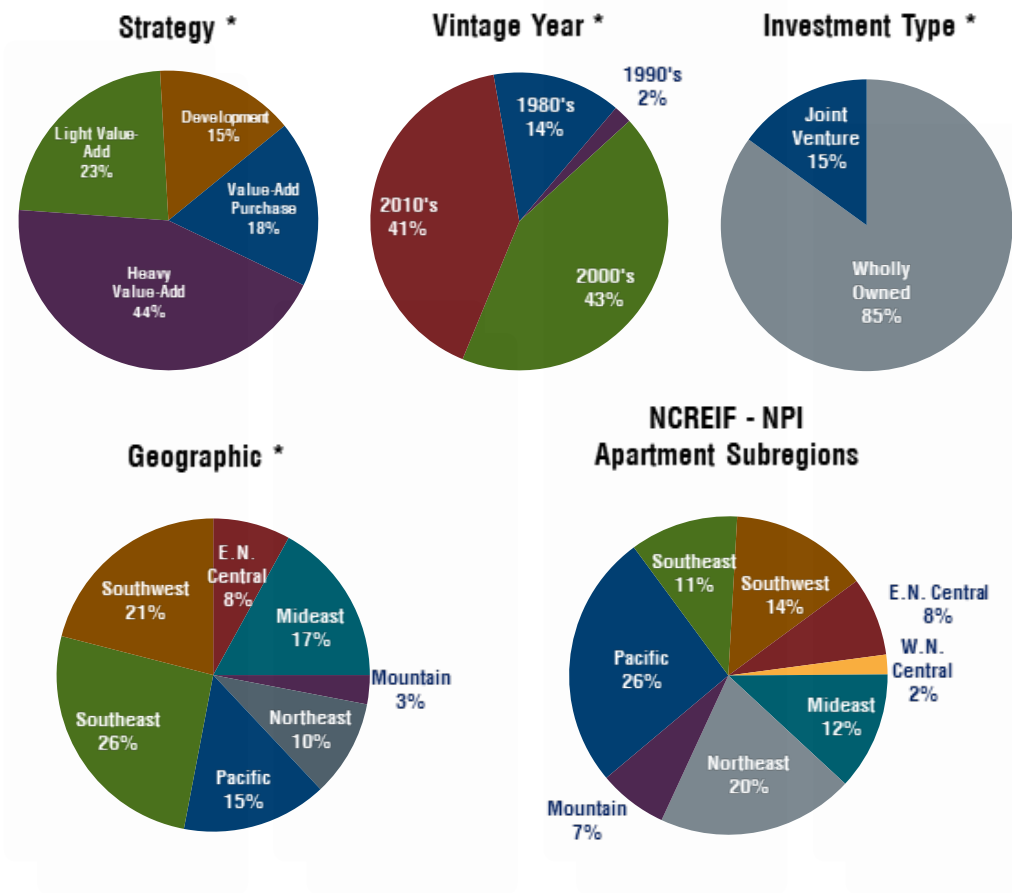
Debt Summary	
Total Debt ¹	\$0
Property Level ¹	\$0
Fund Level	\$0
Loan to Real Estate Asset Value	0.00%
Fixed Rate Loans (% of total)	0.00%
Floating Rate Loans (% of total)	0.00%
Weighted Average Interest Rate	0.00%

¹ Reflects adjustment to fair value.

Mesirow Financial Real Estate Value Fund, L.P.

as of September 15, 2020 (date of liquidation)

Fund Diversification



* Weighted by capital committed for investment and called from investors

Fund I Total

Fund I Performance Summary as of September 15, 2020 (date of liquidation)

Total Fund Returns ^{1,2}		Since Inception ³
IRR Gross of Fees		15.04%
IRR Net of Fees		11.37%
Dividend Yield ⁴		N/A
Inception Date	November 1, 2010	
Fund Closing Date	June 30, 2012	

¹ Returns are calculated in accordance with the "Fund Level" internal rate of return (IRR) as published in the Real Estate Information Standards (REIS) Performance Measurement Resource Manual, developed with participation from NCREIF's Performance Measurement Committee. At the fund level, the inputs for the IRR formula are based upon actual cash flows between the investors and the partnership. General partner (GP) cash flows are excluded from this calculation.

² The IRR is a since inception calculation that solves for the discount rate, which makes the net present value of an investment equal to zero. The calculation is based on cash-on-cash returns over equal periods modified for the residual value (i.e., the partnership's or investor's ending net asset value (NAV) of the investment). The NAV is used as the ending value. Transactions are accounted for on a monthly basis, and annualized values are used for reporting purposes.

³ The "Since Inception" IRRs include the deduction of asset management fees, syndication costs, and organization costs accrued since the November 1, 2010 Initial Closing Date of the Fund. Since inception, the partnership has incurred \$708,138 and \$37,625 of syndication costs and organization costs, respectively.

⁴ Each dividend payment issued in the current quarter relates to excess net cash flow generated in the prior quarter. The quarterly, year to date, and four quarters ended dividend yields are computed as the distributed income generated in the current quarter, year to date period, and most recent four quarters ended, respectively, divided by the weighted average net inception-to-date contributed capital outstanding during the current quarter, year to date period, and most recent four quarters ended, respectively.

Investment Summary

Total Real Estate Investments at Estimated Market Value ¹	\$1,337,150,000
Debt ¹	\$717,927,033
Net Asset Value ²	\$599,292,472
Capital Commitment ³	\$545,825,000
Capital Called ³	\$549,225,175
Number of Investments	12
Cash Balance of Fund ⁴	\$11,731,995
Distributions Since Inception ³	\$285,485,525
Fund Closing Date	May 31, 2015
Number of Institutional Investors	36

¹ Reflects adjustment to fair value.

² Net asset value is based on values from internal valuation of real estate assets and estimated market valuations of debt obligations, which are subject to significant assumptions and uncertainties.

³ The capital commitments, called capital, and distributions for the Total Fund include the amounts for the parallel employee fund. Includes capital called for asset management fees and callable capital that had been previously distributed to investors.

⁴ Includes unrestricted cash only

Debt Summary

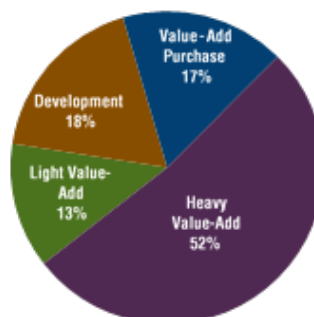
Total Debt ¹	\$717,927,033
Property Level ¹	\$717,927,033
Fund Level	\$0
Loan to Real Estate Asset Value	53.48%
Fixed Rate Loans (% of total)	100.00%
Floating Rate Loans (% of total)	0.00%
Weighted Average Interest Rate	3.53%

¹ Reflects adjustment to fair value.

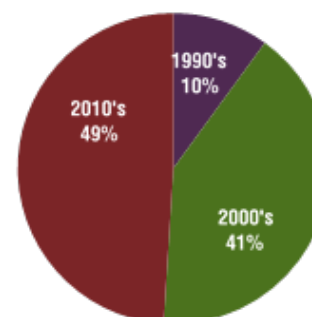
Mesirow Financial Real Estate Value Fund II, L.P. as of December 31, 2020

Fund Diversification

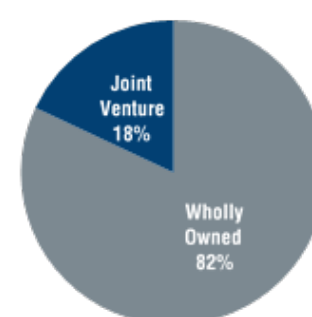
Strategy *



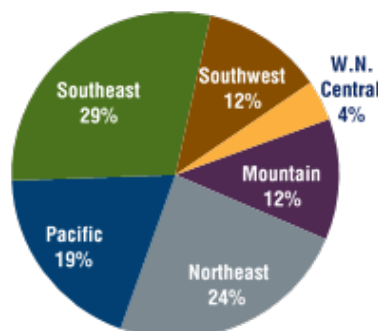
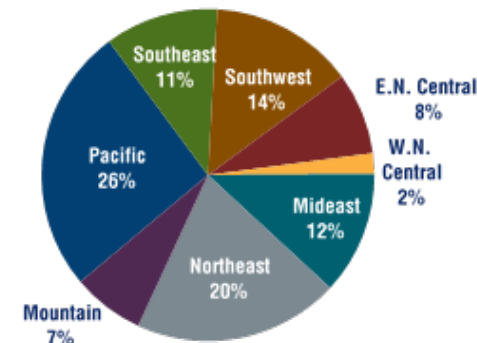
Vintage Year *



Investment Type *



Geographic *

NCREIF - NPI
Apartment Subregions

* Weighted by capital committed for investment and called from investors

Fund II Total

Fund II Performance Summary as of December 31, 2020

Total Fund Returns ^{1,2}	Fourth Quarter ³ 12/31/2020	Four Quarters Ended ³ 12/31/2020	Since Inception ⁴
IRR Gross of Fees	7.11%	13.17%	13.56%
IRR Net of Fees	5.80%	11.02%	11.22%
Dividend Yield ⁵	0.84%	3.67%	N/A
Inception Date	January 17, 2014		
Fund Closing Date	May 31, 2015		

¹ Returns are calculated in accordance with the "Fund Level" internal rate of return (IRR) as published in the Real Estate Information Standards (REIS) Performance Measurement Resource Manual, developed with participation from NCREIF's Performance Measurement Committee. At the fund level, the inputs for the IRR formula are based upon actual cash flows between the investors and the partnership. General partner (GP) cash flows are excluded from this calculation.

² The IRR is a since inception calculation that solves for the discount rate, which makes the net present value of an investment equal to zero. The calculation is based on cash-on-cash returns over equal periods modified for the residual value (i.e., the partnership's or investor's ending net asset value (NAV) of the investment). The NAV is used as the ending value. Transactions are accounted for on a monthly basis, and annualized values are used for reporting purposes.

³ The quarterly IRR (or end-to-end performance calculation) is similar to the IRR. However, it is measuring the return between two points in time. The calculation takes into account the beginning NAV as the initial investment. The subsequent monthly cash flows and the ending NAV for the specified time period (i.e., one quarter, one year, etc.) are utilized in the same fashion as the IRR calculation. All returns greater than one year are annualized.

⁴ The "Since Inception" IRRs include the deduction of asset management fees, syndication costs, and organization costs accrued since the January 17, 2014 Initial Closing Date of the Fund. Since inception, the partnership has incurred \$652,392 and \$52,167 of syndication costs and organization costs, respectively.

⁵ Each dividend payment issued in the current quarter relates to excess net cash flow generated in the prior quarter. The quarterly, year to date, and four quarters ended dividend yields are computed as the distributed income generated in the current quarter, year to date period, and most recent four quarters ended, respectively, divided by the weighted average net inception-to-date contributed capital outstanding during the current quarter, year to date period, and most recent four quarters ended, respectively.

Investment Summary

Total Real Estate Investments at Estimated Market Value ¹	\$1,418,631,744
Debt ¹	\$782,663,869
Net Asset Value ²	\$582,918,215
Capital Commitment ³	\$567,020,000
Capital Called ³	\$515,397,822
Number of Investments	18
Cash Balance of Fund ⁴	\$13,524,189
Distributions Since Inception ³	\$15,988,680
Fund Closing Date	June 29, 2018
Number of Institutional Investors	41

¹ Reflects adjustment to fair value.

² Net asset value is based on values from internal valuation of real estate assets and estimated market valuations of debt obligations, which are subject to significant assumptions and uncertainties.

³ The capital commitments, called capital, and distributions for the Total Fund include the amounts for the parallel employee fund. Includes capital called for asset management fees and callable capital that had been previously distributed to investors.

⁴ Includes unrestricted cash only

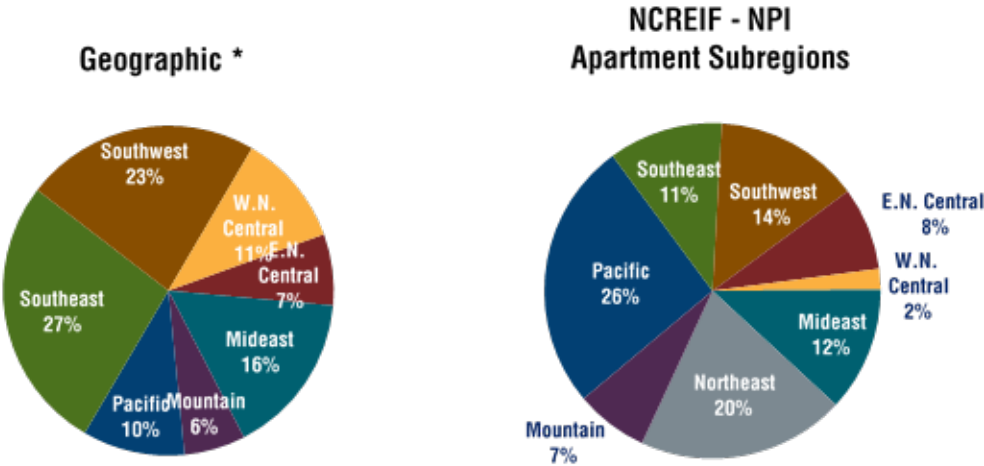
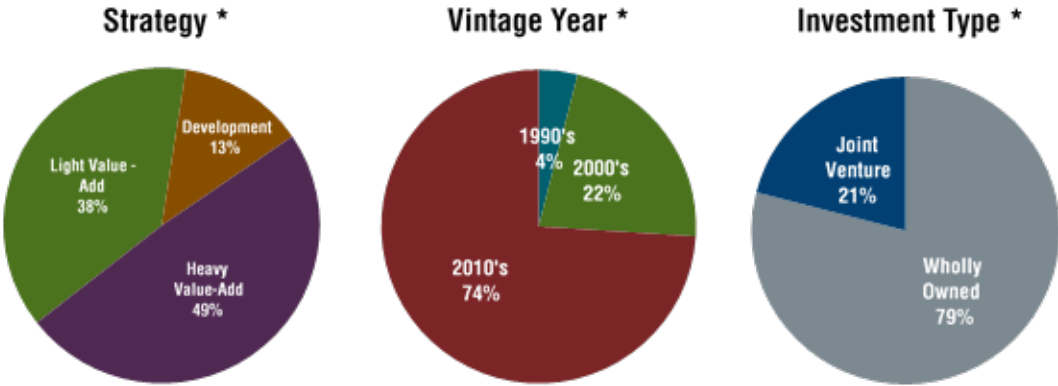
Debt Summary

Total Debt ¹	\$782,663,869
Property Level ¹	\$769,250,869
Fund Level	\$13,413,000
Loan to Real Estate Asset Value	54.83%
Fixed Rate Loans (% of total)	92.84%
Floating Rate Loans (% of total)	7.16%
Weighted Average Interest Rate	3.54%

¹ Reflects adjustment to fair value.

Mesirow Financial Real Estate Value Fund III, L.P.
as of December 31, 2020

Fund Diversification



* Weighted by capital committed for investment

Fund III Total

Fund III Performance Summary as of as of December 31, 2020

Total Fund Returns ^{1,2}	Fourth Quarter ³ 12/31/2020	Four Quarters Ended ³ 12/31/2020	Since Inception ⁴
IRR Gross of Fees	8.83%	12.95%	12.27%
IRR Net of Fees	7.85%	10.87%	9.38%
Dividend Yield ⁵	0.51%	2.35%	N/A
Inception Date	March 1, 2017		
Fund Closing Date	June 29, 2018		

¹ Returns are calculated in accordance with the "Fund Level" internal rate of return (IRR) as published in the Real Estate Information Standards (REIS) Performance Measurement Resource Manual, developed with participation from NCREIF's Performance Measurement Committee. At the fund level, the inputs for the IRR formula are based upon actual cash flows between the investors and the partnership. General partner (GP) cash flows are excluded from this calculation.

² The IRR is a since inception calculation that solves for the discount rate, which makes the net present value of an investment equal to zero. The calculation is based on cash-on-cash returns over equal periods modified for the residual value (i.e., the partnership's or investor's ending net asset value (NAV) of the investment). The NAV is used as the ending value. Transactions are accounted for on a monthly basis, and annualized values are used for reporting purposes.

³ The quarterly IRR (or end-to-end performance calculation) is similar to the IRR. However, it is measuring the return between two points in time. The calculation takes into account the beginning NAV as the initial investment. The subsequent monthly cash flows and the ending NAV for the specified time period (i.e., one quarter, one year, etc.) are utilized in the same fashion as the IRR calculation. All returns greater than one year are annualized.

⁴ The "Since Inception" IRRs include the deduction of asset management fees, syndication costs, and organization costs accrued since the March 1, 2017 Initial Closing Date of the Fund. Since inception, the partnership has incurred \$561,961 and \$93,248 of syndication costs and organization costs, respectively.

⁵ Each dividend payment issued in the current quarter relates to excess net cash flow generated in the prior quarter. The quarterly, year to date, and four quarters ended dividend yields are computed as the distributed income generated in the current quarter, year to date period, and most recent four quarters ended, respectively, divided by the weighted average net inception-to-date contributed capital outstanding during the current quarter, year to date period, and most recent four quarters ended, respectively.

X. Appendix: Biographies of Presenters

Professional Team



Alasdair R. J. Cripps, Chief Executive Officer and Co-Chief Investment Officer and Investment Committee Member

Alasdair Cripps joined the firm in September 2007. Mr. Cripps is responsible for leading the direct equity real estate investment business for Mesirow Financial and participates in all aspects of the investment process. Mr. Cripps is a member of the *Mesirow Financial Institutional Real Estate - Direct Investment Committee*. Mr. Cripps is also a member of the firm's Board of Directors. Mr. Cripps is a well-known and highly regarded professional in the industry with over 32 years of experience. Most recently, he was a partner and a portfolio manager at Capri Capital Partners, where he oversaw a portfolio of over \$3.5 billion in real estate assets. Mr. Cripps has completed over \$7.5 billion in transactions (acquisitions and divestitures), and was directly responsible for portfolios with a gross market value of over \$7.5 billion. At Capri, Mr. Cripps was active in all parts of equity real estate which included: asset management, financing, acquisition, dispositions, repositioning/ renovations, budgeting, valuations, client reporting and portfolio strategy. Prior to that, Mr. Cripps worked at JMB Realty Corporation from 1989 to 1993. Mr. Cripps is an active member of the *Pension Real Estate Association*, the *Urban Land Institute*, *The International Council of Shopping Centers*, and a Board Member of the *National Multi-Housing Council*. Mr. Cripps is a board member of Over the Rainbow, an Illinois not-for-profit organization with a goal of building and maintaining apartments that are specifically designed to help severely disabled people realize their dreams of independent living. Mr. Cripps received his bachelor of business administration from the University of Wisconsin – Madison.



Benjamin Blakney, President

Ben Blakney joined the firm in September 2014 as a managing director. Mr. Blakney's responsibilities include the development and strategic implementation of client solutions and supporting the tactical growth of the institutional real estate direct investment business. Mr. Blakney has 34 years of investment industry experience as a senior executive in both the public and private sectors. Prior to joining Mesirow Financial, Mr. Blakney was a managing director at Courtland Partners, Ltd. an institutional real estate consulting firm representing client assets under advisement of over \$50 billion. His prior experience includes senior positions as director of institutional funds for the Dilweg Companies, a value-added real estate investment manager; president of NCM Capital, an investment advisory firm; treasurer of the City of Philadelphia; and chairman of the Philadelphia Board of Pensions and Retirement. Mr. Blakney received a master's in city planning from Massachusetts Institute of Technology and a B.A. from Williams College.

Professional Team



Brian J. Gant, Senior Vice President and Head of Dispositions

Brian Gant joined the firm in August, 2014 as a Vice President of Asset Management for the Real Estate Direct Investment business. Mr. Gant has 24 years of real estate & capital markets experience across all major property types, with an emphasis in the multifamily sector. Prior to joining Mesirow Financial, Mr. Gant has served in numerous roles including the Director of Asset Management Services at the Illinois Housing Development Authority, and Director of Asset Management at Origin Capital Partners. Prior to Origin, Mr. Gant served as the Vice President of Asset Management for Capri Capital Partners – an institutional real estate investment advisor. Mr. Gant is a licensed real estate broker in the state of Illinois, and holds an MBA from Northwestern, and an AB with honors from Princeton. Mr. Gant is a member of the Princeton Club of Chicago, and is a Kellogg Real Estate Alumni Mentor.



Eugene J. Duffy, Managing Director

Eugene Duffy is a managing director for the Global Investment Management Distribution team. Prior to joining Mesirow, Gene built an impressive record as a partner and director with a quantitative domestic equity firm, a national private equity real estate investor, and a regional fixed income advisor. He also served as a director for Sunrise Bank. Eugene has worked with numerous nonprofit organizations highlighted by his service as Chairperson of the National Association of Securities Professionals and his membership on the Securities and Exchange Commission's Investor Advisory Committee. The 21-member committee advises the Commission on regulatory priorities, the oversight of security products, trading strategies and fee structures. Gene studied English and Political Science at Morehouse College, where he was awarded the Charles E. Merrill Scholarship for international studies and attended the University of Ibadan in Ibadan, Nigeria. His honors include his selection as the Maynard H. Jackson Entrepreneur of the Year and his invitation by the University of Western Cape, Belleville, South Africa to lecture on participatory democracy in South Africa.



Investment Management Global Markets

mesirowfinancial.com

800.453.0600

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SHAWN T. WOODEN
TREASURER

State of Connecticut
Office of the Treasurer

DARRELL V. HILL
DEPUTY TREASURER

April 9, 2021

Members of the Investment Advisory Council ("IAC")

RE: Penzance DC Real Estate Fund II, LP

Dear Fellow IAC Member:

At the April 14, 2021 meeting of the IAC, I will present for your consideration an investment opportunity for the Real Assets Fund in the Connecticut Retirement Plans and Trust Funds (the "CRPTF"): Penzance DC Real Estate Fund II, LP (the "Fund"). The Fund is sponsored by Penzance ("Penzance" or the "Firm"), a real estate operator and investment manager based in Washington, DC and investing exclusively in the Washington, DC metropolitan area.

I am considering a commitment of up to \$50 million to the Fund which presents an opportunity for the CRPTF to invest with an experienced local operator in a region that has been stable and continues to show strong growth. Consistent with the Firm's prior investments, Penzance will focus on acquiring assets that offer the opportunity to drive capital appreciation through implementing various value add initiatives. Led by a team with over 20 years of investment experience in the Washington, DC market and surrounding sub-markets, the Fund is well-positioned to source and evaluate opportunities within its target markets and has a proven track record of generating value-add returns implementing this strategy since inception of the Firm.

Attached for your review is the recommendation from Steven Meier, Interim Chief Investment Officer, and the due diligence report prepared by NEPC. I look forward to our discussion of these materials at the next meeting.

Sincerely,

Shawn T. Wooden
State Treasurer

OFFICE OF THE STATE TREASURER
MEMORANDUM



DECISION

TO: Shawn T. Wooden, Treasurer

FROM: Steven R. Meier, CFA, FRM, Interim Chief Investment Officer

CC: Darrell V. Hill, Deputy Treasurer
Raynald D. Leveque, Deputy Chief Investment Officer
Kevin J. Cullinan, Chief Risk Officer
Danita Johnson, Principal Investment Officer

DATE: March 25, 2021

SUBJECT: Penzance DC Real Estate Fund II, LP

Summary

The purpose of this memorandum is to recommend that the Connecticut Retirement Plans and Trust Funds ("CRPTF") consider a commitment of up to \$50 million to Penzance DC Real Estate Fund II, LP (the "Fund" or "Penzance II"). The Fund will be managed by the general partner, Penzance DC Real Estate Fund GP II LLC (the "GP"), a Delaware limited partnership and an affiliate of Penzance Fund Manager LLC, ("Penzance" or the "Firm"), a real estate operator and investment manager based in Washington, DC. Penzance is targeting \$350 million of capital commitments with a hard cap of \$400 million. As of March 25, 2021, the Fund has had two closings, totaling \$275.5 million of capital commitments from institutional investors comprised primarily of pension funds, university endowments and foundations.

Strategic Allocation within the Real Assets Portfolio

The Fund's strategy falls under the real estate allocation of the Real Assets Fund ("RAF"). As of December 31, 2020, CRPTF's total real estate allocation by market value was 5.8%, which is underweight the policy target allocation of 10%. Pension Funds Management ("PFM") Investment Staff believe that an investment in the Fund is in line with the asset class strategic plan to maintain steady commitments to the real estate sector and to bring the core strategy allocation within the policy range by making additional commitments to the non-core sector. The fund's value-add/opportunistic strategy, detailed below, is an opportunity for the RAF to enhance portfolio diversification and total returns.

Firm Overview

Penzance was founded in 1996 by Managing Partners, Julia Springer and Victor K. Tolkman to invest in value-add and opportunistic strategies across the Washington, DC metropolitan region. Ms. Springer, a former economist for the Federal Reserve Board and attorney in the real estate and corporate transactions group at the law firm of Shaw Pittman LLP, co-leads the firm's investment activities and oversees legal and financial affairs. Victor Tolkman previously served as CEO of furniture retailer, The Door Store and as a real estate expert for the privately held CNV Partnership where he was responsible for site acquisition, development, leasing, management, tenant build out, and design. At Penzance, he is involved in all investment activities, including

acquisitions, developments, redevelopments, financings, asset management, leasing, and dispositions. In addition to Julia and Victor, Penzance is managed by a nine-member executive team, Cristopher J. White, Sean H. Bare, Michael L. Lefkowitz, Richard A. Brookshire, John E. Kusturiss, Peter N. Greenwald, and Frank J. Poli. On average, the team has over 25 years of experience in the real estate industry and have spent most of their careers investing, operating, and developing predominantly in the Washington, DC metropolitan area. The executive team is supported by over 45 additional team members with a broad range of real estate capabilities. Collectively, these professionals bring to the firm a blend of entrepreneurial and institutional real estate experience combined with deep knowledge of the Washington, DC metropolitan area.

Cristopher J. White is Managing Director for Investments at the firm. His primary responsibility is to oversee acquisitions as well as strategic initiatives on existing assets. Cristopher has 14 years of professional experience in commercial real estate, finance and consulting in Washington, DC, and New York City. Previously, he led the acquisitions and investments team in the Washington, DC market for MRP Realty where he was directly involved in over \$1 billion total capitalization in multiple product types. Mr. White also worked at H/2 Capital Partners in Stamford, CT where he focused on investments and risk management of debt securities collateralized with real estate assets across the United States, Canada, and London.

Penzance has been making real estate investments in the DC Metro Area for 24 years. Since its founding in 1996, the firm has invested over \$1.2 billion in real estate through partnerships with institutional investors, separate accounts, joint ventures, and discretionary funds. In its capacity as a general partner in asset-level joint-ventures, Penzance has been the local operating partner for numerous investors, including the State of Michigan Retirement Systems, the Kresge Foundation, PGIM Real Estate, Invesco, Lionstone Investments, and Greenfield Partners. In 2017, Penzance sponsored its first discretionary fund, Penzance DC Real Estate Fund LP, to make real estate investments within the DC Metro Area. Fund I closed in 2018 after receiving \$255 million of total commitments from the Sponsor and 16 investors comprised of foundations, endowments, and a family office.

Investment Strategy

Penzance DC Real Estate Fund II, LP will primarily seek to make value-add acquisitions in the office, multifamily, retail, and industrial sectors, including properties with life science and data center components. The fund will focus on assets located in the DC Metro Area that provide the opportunity for capital appreciation by performing value add, operationally intensive business plans. The Sponsor expects to implement three core competencies as a competitive advantage: sourcing opportunities using established relationships and local market knowledge, applying an entrepreneurial approach to creative and agile problem-solving related to the acquisition, financing, and structuring of transactions; and bringing to bear Penzance's fully vertically-integrated platform and proactive management style across asset management, leasing, property management, construction, development and financing. This strategy is consistent with the investment track record built by Penzance over the last 24 years with prior investments in value-add office, multifamily, and mixed-use assets and select development opportunities located in the Washington, DC metropolitan area.

As a secondary strategy, Penzance expects that Fund II will strategically allocate 10-25% of its capital commitments to acquire general partner positions in asset-level joint-ventures with non-

Fund II institutional investors where investment-level promote(s) would be earned by Fund II in its capacity as general partner. This strategy is anticipated to diversify the portfolio across a larger pool of assets, provide access to larger investment opportunities, and deliver enhanced returns through the potential of earning promote. The Fund is targeting to achieve a 12% - 14% net IRR and a 1.5x -1.7x net multiple, and expects to make 8-15 investments, targeting capital commitments of \$20-\$50 million per investment with aggregate portfolio level indebtedness not to exceed 70%.

Penzance focuses on acquiring assets that offer opportunities to drive capital appreciation through implementing various value add initiatives, including renovation, repositioning, leasing, marketing capital structuring, entitlements, and control of capital events. The firm takes an entrepreneurial approach to creating value, seeking to find creative solutions to complex situations where real estate has been overlooked, undermanaged or undervalued. A key source of the Sponsor's deal flow is its network of personal and professional relationships which often result in the Sponsor's access to assets in off-market or non- auction situations, and in many cases, to more advantageous pricing. Through this network, Penzance targets owners of complex asset situations to gain a first look at properties before they are placed on the market and to receive a last look at failed capital structures or property marketing efforts.

Penzance's research, vertical integration and operational focus provide real time market intelligence as well the ability to accurately assess marginal value and associated risks. Once the firm decides to pursue due diligence on a potential acquisition, the investment team, in collaboration with assigned professionals across the platform form a deal team to conduct market reviews, property tours, physical and construction inspections, and debt and equity structure assessments. Market research efforts, led by Cristopher White, include monitoring of national, regional, and submarket job growth trends, and due to its specific relevance to the Washington, DC metropolitan area, changes at or within the federal government and government spending in the region. In addition, the team monitors real estate metrics at the regional and submarket level, such as changes in occupancy rates, construction starts, delivery dates for new buildings, asking rent levels, and projections of large tenant lease expirations. During the hold period of an asset – typically 3-7 years - the team will seek to create long-term value by optimizing operational improvements and will continue to monitor market and submarket developments for the optimal exit timing for each of the assets.

Fund II Portfolio

In January 2021, the Fund acquired, a fully entitled industrial development site in the Hagerstown, Maryland logistics market along the I-81 corridor which provides freight trucking with reach to over 50% of the U.S. population within an overnight drive. Total project costs are projected to be \$67 million, capitalized with \$40 million of construction financing and \$27 million of equity. The investment provides Fund II with the opportunity to capitalize on the long-term increase in demand for e-commerce and logistics distribution space and is underwritten at a 20% IRR and 1.9x equity multiple.

Market Opportunity

The Washington Metro region enjoys the presence of strong growth industries and resilience in challenging times. Over the last few years, this mix has been highlighted by Amazon's selection in November 2018 of Northern VA for its HQ2, followed in summer 2020 by national

outperformance in jobs retention and unemployment at the height of the COVID-19 pandemic. The DC area continues to attract companies in growth industries including technology, cloud computing, government defense, cybersecurity, and healthcare, and it has a stable base of government and professional services that provide a strong foundation. The federal government, a population with high levels of education, a business-friendly environment in Northern Virginia in particular, and an attractive quality of life are drivers that are expected to continue to impel growth and stability going forward.

As the sixth largest metropolitan region in the country, the Washington, DC metro has a population of over 6 million with a median annual household income of \$105,659, compared to \$65,000 nationally. Over 50% of the population has bachelor's degrees, compared to just one third of the U.S. population. The region has added an average of 41,000 jobs per year over the last 20 years. Over 50% of jobs in the Washington metro region are classified as either government, financial services, or general professional and business services. This has led to one of the most stable employment figures of all metro regions during the pandemic, with a peak unemployment rate of under 10%, compared to 14.7% nationally.

The Washington Metro region has been impacted by the pandemic but has demonstrated economic resiliency just as it did during the Great Recession. During the Great Recession, the Federal government spending sparked significant growth in financial regulatory services in the region. The region has benefitted from similar spending during the pandemic, this time with a focus on healthcare and life sciences. Two of the three largest Federal contracts awarded through Operation Warp Speed were to companies in Suburban Maryland. In addition, government defense and cybersecurity continue to benefit from increased spending by the Federal Government, with \$47.9 billion in government contract awards to the region in 2020.

The region is becoming known as more than a government town and while metro regions across the US experienced a plummet in investment activity brought on by the pandemic, compared to other gateway markets, DC sales activity fell by significantly less. DC experienced a reduction of 26.6% YOY for 3Q 2020, versus New York (-43.7%). In addition to Amazon's selection of Northern Virginia for HQ2, in May 2020, Microsoft committed to 400,000 SF of office space in Reston Town Center, with the goal of establishing a new software development technology hub. This is in addition to a lease renewal that Microsoft executed in October at their current space two blocks away, growing their presence in that building to nearly 186,000 SF. Google leased 165,000 SF nearby and Facebook leased 70,000 SF of space in DC proper. Many other private sector businesses have large footprints in the DC region; the list includes AstraZeneca, Medimmune, Capital One, Nestle, Booz Allen Hamilton, General Dynamics, and Lockheed Martin.

Track Record/Performance

Since inception, Penzance has invested and committed over \$1.2 billion of equity capital through various market cycles in over 50 properties in the DC Metro Area. Of those investments, 36 have been realized, returning \$811 million and generating a 25.3% internal rate of return and 1.6x multiple on invested equity capital, 10 are unrealized, and are projected to return approximately \$1.0 billion, generating a 14.4% projected IRR and 2.0x equity multiple. The six investments made in Fund I, all of which are unrealized, are projected to return approximately \$292.7 million generating a 13.1% projected net IRR and 1.5x equity multiple.

Penzance Fund I and Pre-Fund I - Performance Summary

(as of December 31, 2020)

	Vintage	Equity Invested	Realized (\$M)	Unrealized (\$M)	# deals	Net IRR	Net Multiple
Pre Fund I Realized	1997 - 2017	\$ 573.0	\$ 810.6	-	36	25.3%	1.6x
Pre-Fund I Unrealized	2011 - 2016	\$ 569.8	\$ 86.4	\$ 1,009.1	10	14.4%	2.0x
Fund I Unrealized	2018 -2019	\$ 210.1	\$ 50.9	\$ 292.7	6	13.1%	1.5x
Total Returns						21.9%	1.7x

Key Strengths

- Experienced Local Operator:** Penzance has been making real estate investments in the DC metropolitan area for 24 years, with over \$1.2 billion invested and committed/projected equity in 52 deals in the region. The firm's executive team has over 25 years of real estate investment experience on average. Most of this experience was gained investing, operating, and developing in the Washington, DC metropolitan area. As a local operator, PFM believes that the firm is well-positioned to evaluate and source opportunities within the Washington, DC metropolitan area and select submarkets and that this core competency will continue to serve as a competitive advantage.
- Vertical Integration:** Penzance's fully vertically integrated operating platform is structured to maximize returns through efficient processes. Throughout every aspect of operations — leasing, property management, construction, re-development, and design — Penzance focuses on saving cost, driving revenues, and maximizing value. The investment professionals are responsible for all stages of an investment's asset management process, from underwriting/acquisition through business plan execution and ultimate liquidation. This approach leads to more rigorous acquisition underwriting, implementation of value enhancement strategies, and greater control over business plan execution.
- Sourcing Capabilities:** Penzance has developed a strong network of institutional owners, sales and leasing brokers, lending institutions, local property owners, developers, tenants, zoning counsels, and government agencies which it leverages to gather market intelligence and identify off-market deals. Since inception, 58% of transactions have been sourced off-market.
- Track Record:** Although Penzance DC Real Estate Fund II, LP is the firm's second commingled Fund, Penzance has been an active investor in the DC market since 1997 and has been the local operating partner for numerous investors, including the State of Michigan Retirement Systems, the Kresge Foundation, and various private equity real estate firms. Since inception, the firm has developed an attractive investment track record of investing in value-add investment opportunities located in the Washington, DC metropolitan area, realizing a 25.3% gross IRR and 1.6x equity multiple. NEPC noted in their analysis of Penzance's track record that, "Of the 47 investments made by the Firm prior to starting Fund I, 64% have outperformed their vintage year benchmarks, and only one realized deal has failed to return 1.0x invested capital."

- Investment Discipline: Penzance has employed a disciplined investment approach, evidenced by its measured investment pace during periods of uncertainty. For example, Penzance substantially remained on the investment sidelines during the market peak in 2006 to 2007. Six assets were sold during this time, representing \$61 million of invested equity, and generating a 2.3x gross multiple.
- Market Opportunity: The Washington, DC metropolitan area is a stable and growing market, with diverse economic drivers. Job growth has averaged a steady increase of 41,000 new jobs per year over the past 20 years. In addition, the region is home to many of the country's highest income neighborhoods and boasts the second highest level of college degrees per capita, and therefore is one of the most attractive job markets and labor forces in the U.S.

Risks

- Geographic Concentration: The Fund's investment strategy focuses geographically on the Washington, DC metropolitan area. Due to this geographic concentration, the Fund would be significantly exposed and impacted by any event negatively affecting the region's economic environment and/or real estate markets.

Mitigant – Although the Fund is focused in Washington, DC. as mentioned above, the metropolitan area is well diversified from a potential employer and industry perspective. With respect to portfolio diversification, the firm intends to reduce risk by creating a portfolio that is diversified across property types and within the DC region across various submarkets including, Washington DC, Maryland and Northern Virginia. To further mitigate risk, the Firm prudently uses leverage and on an ongoing basis, the team monitors closely real estate metrics and market trends within submarkets to identify and evaluate both risks and opportunities early on. This analysis is incorporated into portfolio construction, individual asset underwriting prior to acquisition, deal structuring and hold vs. sell analysis during the hold period.

- Key Person Risk: Co-founders, Julia Springer Tolkan and Victor K. Tolkan lead the management team and have both been instrumental in developing the firm's investment philosophy, investment strategy, and culture. However, as NEPC's report notes, because the two are married, deterioration or termination of the personal relationship could potentially be disruptive to the operations of the firm and present a risk to its stability.

Mitigant – The co-founders have complementary skill sets which they have leveraged to develop a successful working relationship for over 20 years. They are both members of the investment committee and make all decisions in collaboration with the firm's executive committee. Working closely with Chief Financial Officer, Sean Bare, Julie focuses on investment underwriting, asset management, legal, compliance and financial responsibilities. Victor is active in investment sourcing, redevelopment, and strategic partnerships alongside Christopher White, Managing Director of Investments. While the Founders have created a collaborative entrepreneurial culture which ensures the stability of the firm should one of the founders leave, the key person risk is further mitigated by provisions in the limited partnership agreement which are triggered should either of the co-founders cease to be actively involved in the Fund during the Investment Period and would allow for the Investment Period to be automatically suspended.

- **Staff Turnover:** As NEPC notes, in the past five years, the Firm has reported the departure of seven total employees, including a Chief Financial Officer and a Managing Director of Investments.

Mitigant - There has been relative stability in the senior members of the team (Director and above) until the more recent departures. With respect to the CFO departure, the Co-Founders stated that after transitioning to the fund structure, they realized the need to hire a permanent CFO with broader capabilities, including fund management experience. In addition, they acknowledged that the prior compensation structure contributed to turnover and that several members of the team, particularly at the VP level, joined larger firms offering more attractive incentive packages. Prior to launching Fund II, Mr. Tolkan and Ms. Springer adjusted the compensation and carried interest structure in a manner that promotes stability within the team.

Economics/Fees

- Management Fee: 1.50% of capital commitments during the commitment period; thereafter, 1.50% of net equity invested
- Incentive Fee: 20% carried interest, 8% preferred return, 50% catch-up, Fund-level waterfall
- Term: 10-year term from final closing with two 1-year extension options
- Investment Period: 4 years from initial closing
- GP Commitment: Lesser of 2.5% of capital commitments or \$5 million

Limited Partner Advisory Committee

Penzance has established an LP Advisory Committee for Fund II which currently has five members. The GP had confirmed that the State of Connecticut will be offered membership on the LP Advisory Committee subject to investment approval and completion of legal documentation.

Legal and Regulatory Disclosure (provided by Legal)

Pursuant to its response, Penzance states (i) it has no material business-related legal or non-routine regulatory matters to report, (ii) there have been no material claims under its fidelity, fiduciary or E&O insurance policies, and (iii) there are no ongoing internal investigations to report.

With respect to firm structure, Penzance notes that Julia Springer Tolkan is the firm's President and sole member, and Penzance is a District of Columbia limited liability company.

Penzance's disclosure states that there have been no changes to the structure of Penzance Management, L.L.C. in the past 2 years and no changes are planned.

The firm affirms that it has adequate internal investigation procedures, including an annual process by which all employees are required to review the firm's Compliance Manual (including a Code of Ethics) and certify that the employee is in compliance. The General Counsel oversees the Compliance Manual and conducts diligence as needed to ensure compliance. Should any proceedings or claims arise, the General Counsel will engage appropriate third parties to assist in addressing same. To date no proceedings or claims have arisen.

Compliance Review (provided by Compliance)

The Chief Compliance Officer's Workforce Diversity and Corporate Citizenship review is attached.

Environmental Social and Governance ("ESG") Analysis (provided by Policy)

The Assistant Treasurer for Corporate Governance & Sustainable Investment's Evaluation and Implementation of Sustainable Principles review is attached.

COMPLIANCE REVIEW FOR PENZANCE DC REAL ESTATE FUND II

SUMMARY OF LEGAL AND POLICY¹ ATTACHMENTS

SUBMITTED BY

PENZANCE MANAGEMENT, LLC

I. Review of Required Legal and Policy Attachments

PENZANCE MANAGEMENT, LLC ("Penzance") a Washington DC-woman-owned² firm, completed all required legal and policy attachments. The firm disclosed no third party fees, campaign contributions, known conflicts, gifts or legal/regulatory proceedings.

II. Workforce Diversity (See Also 3 year Workforce Diversity Snapshot Page Attached)

As of December 2020, Penzance employed 57, 4 more than the 53 employed as of December 2018. The firm identified 1 women and 0 minorities as Executive/Senior Level Officials and Managers, i.e., serving at the senior-most level. For the 3 year period 2018-2020, 16 women and/or minorities³ were promoted within the ranks of professionals and managers.

Commitment and Plans to Further Enhance Diversity

Penzance is a woman-owned business and has a long-standing commitment to diversity in the workplace. Over 50% of the firm's workforce has been comprised of women and minorities, and currently the first level of management after the executive team is more than 50% diverse. A diverse workforce brings different employee's experiences and provides well-informed input to the firm's decision making in all areas, including investments, operations, and investor reporting. Recognizing diversity of race, gender, and experience strengthens the team and helps the firm attract employees at all levels including, leadership. Penzance's initiatives and strategies are designed to attract, develop, and advance the most talented individuals.

Workforce Statistics

For Executive/Senior Level Officials and Managers:

- Women held 13% (1 of 8) of these positions in all 3 years reported, i.e., 2020 - 2018.
- Minorities held 0% (0 of 8) of these positions in all 3 years reported, i.e., 2020 - 2018.

At the Management Level overall:

- Women held 31% (8 of 26) of these positions in 2020, up from 30% (8 of 27) in 2019 and 23% (6 of 26) in December 2018.
- Minorities held 23.08% (6 of 26) (7.69% Hispanic, 11.54% Black and 3.85% Two or More Races) of these positions in 2020, up slightly from 22.22% (6 of 27) (7.41%

¹ The Treasury Unit responsible for reviewing Penzance's ESG submission will prepare a separate report.

² Not Connecticut certified.

³ Five individuals were double counted, as they are both women and minorities.

Hispanic, 11.11% Black and 3.7% Two or More Races) in 2019, and up from 15.38% (4 of 26) (3.85% Asian, 3.85% Hispanic, and 7.69% Black) in 2018.

At the Professional Level:

- Women held 24% (7 of 29) of these positions in 2020, slightly down from 25% (6 of 24) in 2019 but up from 18% (4 of 22) held in December 2018.
- Minorities held 48.28% (14 of 29) (13.79% Asian, 13.79% Hispanic, 6.9% Black and 13.79% Two or More Races) of these positions in 2020, down from 58.33% (14 of 24) (20.83% Asian, 16.67% Hispanic, 12.5% Black and 8.33% Two or More Races) in 2019, and 63.64% (14 of 22) (22.73% Asian, 13.64% Hispanic, 13.64% Black and 4.55% Two or More Races) in 2018.

Firm-wide:

- Women held 28% of these positions in both 2020 (16 of 57) and 2019 (15 of 53), up from 25% (13 of 53) held in December 2018.
- Minorities held 36.84% (21 of 57) (7.02% Asian, 10.53% Hispanic, 10.53% Black and 8.77% Two or More Races) of these positions in 2020, down from 39.62% (21 of 53) (9.43% Asian, 11.32% Hispanic, 13.21% Black and 5.66% Two or More Races) in 2019, and 37.74% (20 of 53) (11.32% Asian, 7.55% Hispanic, 16.98% Black and 1.89% Two or More Races) in 2018.

III. Corporate Citizenship

Charitable Giving:

Penzance is committed to making things it touches “better than we found them”. The firm believes it has the opportunity and obligation to make a difference. It has partnerships with several service organizations whose values are aligned with its own. For example, the firm partners with the Urban Alliance, which empowers under-resourced youth to inspire professionalism and to succeed through paid internships, formal training, mentoring and credentialing in the real estate industry. The firm also supports Martha's Table, which assists children, families and communities in our nation's capital by increasing access to education, health and wellness and family resources. It supports the Central Union Mission which serves people throughout the Washington metropolitan area, including homeless men, families living in poverty, and children from at risk neighborhoods. Other organizations supported include the Equal Justice Initiative, which is committed to ending mass incarceration, KIPP DC, which educates and supports students in Washington DC who have historically had limited access to education, and Annunciation House on the Texas-Mexico border, an organization committed to relieving the suffering of migrant children and families. The firm encourages employees to engage in charitable activities and has a matching gift program to match employees’ contributions.

Internships/Scholarships:

In conjunction with the Urban Alliance, the firm's signature high school internship program provides skills training, mentoring, and paid internships to underserved high school seniors who are at risk of disconnecting from school or the workforce, and provides them with the tools to remain connected to economic opportunity. Ninety-nine per cent of interns are students of color and almost 60% are first-generation college students.

Procurement:

Penzance did not address whether it has a written procurement policy to engage diverse businesses. It reported that the firm holds its third-party providers (including vendors and contractors) to the same philosophy and policies of diversity, equity and inclusion to which the firm is committed, including with regard to hiring, employment, health and safety, and serving the communities in which “we live on work”.

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SUMMARY OF RESPONSES FROM
PENZANCE MANAGEMENT, LLC
TO ATTACHMENT M (REAL ESTATE): EVALUATION AND IMPLEMENTATION OF SUSTAINABLE PRINCIPLES

Penzance is not a signatory to the UN Principles of Responsible Investment (UN PRI), and is not a member of any of the sustainability-oriented organizations identified by the Treasury (e.g., Carbon Disclosure Project; CDP Water Disclosure Project; Council of Institutional Investors; Investor Network on Climate Risk; or the Social Investment Forum).

The firm's disclosure indicates that energy cost and usage are part of their assessment of potential acquisitions. They often will upgrade the energy efficiency of investment properties, but will avoid investments where improvement is inefficient and cost ineffective.

Penzance acknowledged the importance of energy conservation, and is currently developing an investment property with a target of LEED Gold Certification. This includes sustainable design features such as high efficiency water fixtures, LED lighting, and 75% of construction waste being recycled.

The firm indicated that it continuously monitors the energy and water usage of its investment properties and uses Mach Energy to monitor real time usage. They use their Energy Management System to reduce inefficiencies and compare usage data of similarly situated buildings through the Federal Government's Energy Star System. The firm has also enrolled a select asset in the CleanChoice Energy platform, which offsets energy grid usage with wind or solar power.

Penzance places a significant emphasis on the location of properties and availability of services and transportation in their investment process. Their main focus is on ease of access to public transportation and recognizing the climate risks that are unique to the Washington D.C. Metropolitan area (i.e., flooding and wetland impact).

The firm uses does not have an annual sustainability report, but does provide training to staff through a partnership with Mach Energy, and engages with industry consultants to analyze green building opportunities. They also utilize information from organizations such as Urban Land Institute, Apartment & Office Building Association, Associated Builders and Contractors, and U.S. Green Building Council, for the purposes of research data and continued training.

Overall, Penzance's disclosure suggested satisfactory integration of ESG considerations in its investment process.

NEPC Private Markets Investment Due Diligence Report

Penzance, LLC

Penzance DC Real Estate Fund II, LP

April 2021

Product Rating: 1



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Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Executive Summary

Penzance, LLC ("Penzance," the "Firm," or the "Manager"), a majority woman-owned business, is targeting \$350 million (\$400 million hard cap) of investor commitments for its second closed-end non-core real estate fund, Penzance DC Real Estate Fund II, LP ("Fund II" or the "Fund"). The Fund will employ an opportunistic investment strategy, targeting residential, office, industrial, data center and mixed-use properties in Washington DC ("DC") and the surrounding submarkets. Penzance anticipates making 8-15 distinct investments diversified by property type and local market. Additionally, Penzance may act as the local operator for allocator-style real estate funds on deals that are too large for Fund II on a standalone basis. In these deals, Fund II will invest alongside the allocator fund, and the Fund will be paid carried interest by the allocator should the investment exceed certain return hurdles. The Fund will target a net internal rate of return ("IRR") in the range of 10%-14% and a net total value to paid-in capital multiple of 1.5x-1.7x.

Penzance seeks value-add/opportunistic investments and primarily targets office and multifamily properties, and to a lesser degree industrial and data center assets, in the greater DC region. In certain cases, Penzance has created ground-floor retail to help "amenitize" its office properties but will not do stand-alone retail investments. The Fund may also invest up to 25% of capital commitments in ground-up office, multi-family, industrial or data center development projects.

From a macroeconomic perspective, public sector employment is still a large driver of the local DC economy, but the private sector is rapidly expanding. According to the DC Policy Center, private sector employment accounts for over 75% of the jobs in the DC Metro MSA. The DC workforce has the highest percentage (33.4%) of graduate degrees in the country. Additionally, DC has the third highest median household income (\$137,124, per Bureau of Labor statistics) of major U.S. metros and is ranked as the #1 city for entrepreneurship by the U.S. Census Bureau.

Penzance was founded in 1996 by Julia Springer Tolkan and Victor K. Tolkan. The Firm is a fully-integrated real estate investment company with over 50 employees. Prior to the inception of its first commingled Fund in 2017, Penzance executed 47 deals, with only one realized loss to-date. In the majority of these deals, Penzance has acted as both the sole investor or JV partner and local operator for larger real estate investors including private equity firms, state pension funds, and endowment funds. In 2017, at the suggestion of several long-term JV partners, Penzance launched its first commingled fund, raising \$255 million in capital commitments. Fund I has made six investments (three residential, three office) and approximately 80% of the aggregate capital commitments have been funded.

Penzance will charge a management fee of 1.5% on committed capital during the Fund's investment period and 1.5% of invested capital thereafter. Additionally, Penzance will receive 20% of carried interest above an 8% annually compounded preferred return, subject to a 50% catch-up. Penzance held a first close for the Fund in February 2020 and has closed on \$275 million to-date. Penzance's LPs are largely comprised of endowments and foundations and the Firm is actively seeking to diversify its capital base.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Positives:

- **Experienced Local Real Estate Operator:** Penzance has over 20 years of experience as a local operator in the Washington DC region. The Firm's tenure in this market has driven it to develop a large network of brokers, tenants, politicians, lobbyists, and investors. These relationships have helped Penzance to source off-market opportunities, identify potential tenants to fill vacancies, and carefully monitor important local trends. Penzance takes a nuanced view of each of DC's submarkets, each of which has unique demand drivers. The Firm has historically been the local operator for several well-known investors, including the Baupost Group and The State of Michigan Retirement System Pension Fund.
- **Strong Historical Performance:** Penzance has demonstrated the ability to generate strong returns over multiple market cycles. Of the 47 investments made by the Firm prior to starting Fund I, 64% have outperformed their vintage year benchmarks, and only one realized deal has failed to return 1.0x invested capital. A handful of the Firm's deals from 2011-2015 are marked below cost. These office properties have experienced slower than anticipated lease-up as a result of the Base Realignment and Closure Act (BRAC) and are marked below cost. NEPC has discussed the leasing plans for these assets and is confident that these investments will be marked above cost within the next 18 months. Additionally, Penzance's long-term JV partners have noted that Penzance is very conservative in its valuations, and generally keeps assets close to cost unless major vacancies have been occupied or a potential buyer has submitted an unsolicited offer.

Penzance is continuously monitoring valuations and will not deploy capital if the team cannot see a path to its stated returns. During 2008 and 2009, the Firm became increasingly uncomfortable with real estate pricing, and did not make an investment during this period, instead choosing to dispose of properties at favorable valuations.

- **Enhanced Return Potential Through Unique Promote Structure:** Penzance has reserved up to 25% of the Fund's capital for investments with other investment firms in conjunction with Fund capital. In this structure, Penzance will act as the local operator for the real estate allocator fund. If Penzance is able to meet a certain return threshold, it will receive a "promote" fee as part of the agreement. The entire promote fee will be allocated to the Fund's LPs. This unique structure should help the Fund generate returns above its stated targets.
- **High Level of Transparency with Senior Team:** Throughout the due diligence process, Penzance was very open and willing to share any information needed by NEPC for underwriting. During multiple onsite visits with the Firm, NEPC was able to meet, at length, with each of the senior investment team members as well as the Firm's General Counsel and Chief Financial Officer. Penzance understands that, while it builds its business as a fund manager, it must continue to earn the trust of its Limited Partners, through both strong returns and transparency surrounding its process and portfolio. LPs in the Fund should expect to be able to reach out to Penzance with questions or feedback and receive the immediate attention of the Firm's senior management.
- **Potential Portfolio Diversification Benefit:** The Washington DC market has lagged other core real estate markets during much of the most recent economic cycle. However, it has started to show signs of strength and momentum, due to its population's high level of education combined with the government's efforts with respect to cybersecurity, and other related factors. While the public sector is still the main driver of tenant demand, the private sector continues to grow. The market's strong demographic drivers and proximity to top universities have led several notable companies to move a substantial portion of their operations to the DC area and surrounding markets. These companies include Amazon, Hilton, Volkswagen, Nestle, along with many others. The potential growth of these private companies, coupled with the stability of government employment, should provide favorable dynamics and a diversifying exposure to a developed real estate portfolio.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Negatives:

- **Largely Unproven Fund Management Capabilities:** Fund I has committed its capital to three residential and three office assets. NEPC communicated to Penzance during diligence that a Fund I asset sale would be a critical step toward proving the viability and successful execution of the Firm's strategy within a commingled fund. Currently, a Fund I investment (Spring Park office complex) is currently under contract to sell several properties to a local family office. This sale is at a higher valuation and with a shorter hold period than Penzance's initial underwriting. Additionally, the Highlands residential development is tracking on-time and well below budget. While this progress is encouraging, it is far too early to clearly evaluate the ultimate value of Fund I.
- **Concentrated Bet on the Washington DC Market:** Although the Fund will be constructed with properties from different submarkets, it will be fully exposed to the broader Washington DC real estate market. While the private sector has been a growing contributor to job growth, the market still remains modestly dependent on the U.S. government for employment stability. The current administration has been cutting back on certain government agencies but remains committed to growing its defense and cybersecurity operations, a key driver of employment in the market.
- **Co-Founder Marital Status:** Penzance is run by Victor Tolkan and Julia Springer, who have been married for the duration of the Firm's history. They both believe that their relationship has contributed to the success of the Firm and vice versa. While there is no indication that the Tolkans are at risk of separation, if the relationship were to come to an end, the performance of the Fund would likely suffer. The Fund's documents provide a Key-Person clause should either Mr. Tolkan or Ms. Springer cease to be involved with the Fund, but do not address a scenario in which they separate and continue to work together.
- **Senior-Level Turnover:** Over the past three years, seven senior professionals have left Penzance. Mr. Tolkan and Ms. Springer have realized that, in order to retain talent, economics need to be shared more broadly with the team. Mr. Tolkan and Ms. Springer will retain most of the Fund's carried interest (67%), but 20% will be allocated to all Penzance employees. The rest will be held back for employees who are promoted as well as new hires. Since the inception of fundraising for the Fund (Q1 2020), the team has remained stable, with no senior turnover.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Fund Characteristics

Investment Vehicle	Penzance DC Real Estate Fund II, LP
Investment Manager	Penzance Fund Manager LLC
Target Size/Max Size	\$350 million / \$400 million
Amount Raised	\$275.5 million, next close anticipated for Q2 2021
Minimum Investment Size	\$5 million (the GP may accept lesser amounts)
Target Final Close Date	Q3 2021
Investment Period	Four years from the initial closing
Fund Term	Ten years from the initial closing, subject to two one-year extensions (first at GP discretion, second at LPAC discretion)
Sponsor's Investment	At least \$5 million
Assets Under Management	\$490 million as of September 30, 2020
Investment Focus	Multifamily, Office, Industrial, data center and mixed-use properties
Geographic Focus	Washington DC and surrounding submarkets
Projected Number of Investments	8 to 15 investments
Deal Size	\$20 million to \$50 million of equity per transaction
Target Fund Return	10%-14% net IRR and 1.5x-1.7x net MOIC
Leverage	70% LTV cap for multifamily assets, 65% LTV cap for non-multifamily assets
Annual Management Fee	The base management fee of 1.50% will be charged on committed capital during the investment period, and on invested capital thereafter
Other Fees	In addition to organizational costs, the Fund will pay all expenses, costs and liabilities relating to its operations, as well as a property management fee of 3.0% on gross property revenues, a development fee of 3.0% on all costs, and a leasing fee of 1.0% of base rents
Organizational Costs	The Fund will bear all offering and organization costs up to \$1.0 million
Carried Interest	20% carried interest with a 50% GP catch-up
Preferred Return	8%
Distribution Waterfall	Full "European Style" distribution waterfall. First 100% to LPs until invested capital on all investments plus 8% preferred return has been distributed. Then 50% to GP as catch-up until 20% carried interest is received. Thereafter, 80%/20% LP/GP split.
ERISA Fiduciary	The Firm is not an ERISA fiduciary
Fund Auditor	CohnReznick LLP
Fund Legal Counsel	Goodwin Proctor LLP
Placement Agents	None
Website	www.pzre.com



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Firm Description

Firm Overview

Penzance was founded in 1996 by Julia Springer and Victor Tolkán. The Firm is a fully-integrated real estate investment company with over 50 employees. For the first 20 years of its history, Penzance invested as a “fundless sponsor”, and pursued deals on a standalone basis. Penzance has acted as both the sole investor or JV partner and local operator for larger real estate investors including private equity firms, state pension funds, and endowment funds. Some of these investors have included:

- The Baupost Group LLC – Investment Manager
- Federal Capital Partners – Real Estate Private Equity Manager
- The Kresge Foundation – Endowment Fund
- Dune Real Estate Partners – Real Estate Private Equity Manager
- State of Michigan Retirement System – Pension Fund

Penzance is a woman-owned business managed by an eight-member executive team comprised of Julia Springer, Victor K. Tolkán, Cristopher J. White, Sean H. Bare, Michael L. Lefkowitz, Richard A. Brookshire, John E. Kusturiss, and Peter N. Greenwald, as a special advisor. On average, the executive team has over 26 years of experience. As a fully integrated real estate platform, Penzance has employees spanning investments, development, asset management, and dispositions. While each professional at the Firm has certain expertise, Mr. Tolkán and Ms. Springer encourage each employee to take ownership of investments and be continually involved throughout the life of a deal.

Encouraged by the Kresge Foundation, Penzance began the fundraising process for Penzance DC Real Estate Fund in early 2017. Penzance had become increasingly frustrated by the need to seek institutional capital for each deal that it underwrote. This process had led to the Firm missing out on deals to other real estate managers with permanent capital, who could act quickly. Under the direction of the Kresge Foundation, Penzance reached out to a small group of institutional investors, predominantly endowments and foundations. Fund I raised \$255 million. Fund II, which has a target of \$350 million, was launched in February 2020 and has raised \$275.5 million to-date. Penzance expects to hold a final close in Q3 2021.

Team Overview

Penzance is a vertically integrated real estate platform with employees specializing in acquisitions, asset management, development, capital markets, and operations and reporting. Julia Springer and Victor Tolkán oversee all deals and Firm management but rely upon senior leadership in each vertical to drive value. Cristopher White joined Penzance in October 2018 and manages all investment activity. John Kusturiss leads development. Richard Brookshire is the head of asset and portfolio management. Michael Lefkowitz is the Firm’s General Counsel and Sean Bare is the CFO.

Fund II’s Investment Committee includes:

- Julia Springer
- Victor Tolkán
- Cristopher White
- Sean Bare
- Michael Lefkowitz (non-voting advisor)
- Richard Brookshire
- John Kusturiss

Majority approval (including either Ms. Springer or Mr. Tolkán) is needed from the Investment Committee to execute on a transaction. Please see **Appendix B** for the biographies of the key professionals.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Succession Planning

Julia Springer and Victor Tolkan are both in good health and committed to the long-term success of the Penzance platform. Both plan to continue investing on behalf of the Firm's LPs for the duration of Fund II as well as Fund III, should Penzance continue to raise capital. With that said, both founders are focused on developing talent internally. Cristopher White, head of investments, and John Kusturiss, head of development, continue to assume more responsibility and could step into senior leadership roles, if necessary.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Fund Investment Strategy

Investment Strategy

Penzance seeks value-add investments and primarily targets office, multifamily, industrial, data center, and mixed-use properties in the greater D.C. region. In certain cases, Penzance has created ground-floor retail to help “amenitize” its office properties but will not do stand-alone retail investments. The Fund may also invest up to 25% of capital commitments in ground-up office or multi-family development projects. Penzance believes its value-add is centered around:

- Sourcing opportunities using its established relationships and local market knowledge
- Creative solutions related to the leasing, financing and structuring of transactions
- Fully integrated platform (investments, development, asset/property management)

When acquiring properties, Penzance generally values an asset on a per-square foot basis. Penzance generally buys significant vacancy, and therefore, cap rates are generally not an appropriate valuation tool. Once cash flow is in place, Penzance attempts to sell these assets to a buyer who will apply a cap rate to this income stream.

Target Return

The Fund is targeting to achieve a 10% to 14% net IRR and a 1.5x to 1.7x net MOIC.

Target Investment Types

Penzance will target office, multifamily, industrial, data center, and mixed-use assets in Washington DC as well as the surrounding submarkets. Given the uncertainty around long-term office demand, Fund II will likely focus less on office properties than Fund I. Almost all of the investments are expected to have significant repositioning/redevelopment components, and much of the committed capital in each investment will be funded after the initial deal closing.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Use of Leverage

Penzance has a cap of 65% loan-to-cost for all non-multifamily assets and 70% loan-to-cost for all multifamily assets. Given that Penzance typically buys assets with significant vacancy and redevelopments, the Firm will seek to use construction financing during the development/redevelopment period, and then incrementally put bank financing in place as the project is stabilized.

Penzance does not intend to use permanent leverage at the fund level. The investment team may also use the Fund's revolving line of credit temporary fund level leverage to manage fund liquidity including funding investments, paying fees and expenses, and other fund level expenses.

Recycling of Capital

During the Investment Period, proceeds constituting a return of (but not a return on) capital received by Fund II may be (a) distributed, in which case these proceeds can be recalled in addition to the LPs uncontributed capital commitment or (b) retained by Fund II for reinvestment or expense purposes.

Environmental, Social, and Governance Considerations

Penzance, a female-owned business, has a detailed ESG policy that is integral to the Firm's daily operations as well as its investment strategy. This policy outlines each component of ESG and how it should be implemented with each deal that Penzance evaluates. From an environmental and social perspective, Penzance highlights the potential for cost savings and tenant engagement as return-enhancing initiatives that are included in its formal investment proposals. These initiatives are monitored regularly and included in the Firm's annual report to investors. Penzance continues to support diversity in its workforce and has made hiring diverse candidates a priority. Women and minorities comprise 53% of the Firm's employee base and 75% of its most recent internship class. While Penzance does not have any dedicated ESG resources, it will consider doing so as it continues to raise capital.

Penzance has received a rating of 2 based on NEPC's proprietary ESG Ratings system, where 5 indicates no integration and 1 indicates a best in class approach. The full ESG review is available in **Appendix C**.

Manager's View of Current Market Conditions

Washington D.C. ("DC") has historically been a volatile real estate market, with occupancy rates, rent growth, and real estate values influenced largely by federal government spending. This dynamic continues to shift, as private sector employment takes increasing share of the job market. Relative to other real estate markets, DC showed resiliency during the Global Financial Crisis, although lagged during the subsequent bull market. The Base Realignment and Closure ("BRAC") act signed in 2005 produced long-lasting effects on the office market, but those effects seem to be tapering. While DC real estate may see volatility through the duration of the COVID-19 crisis, early signs are that the market is holding up better than other cities.

Public sector employment is still a large driver of the local DC economy, but the private sector is rapidly expanding. According to the DC Policy Center, private sector employment accounts for over 75% of the jobs in the DC Metro MSA. The DC workforce has the highest percentage (33.4%) of graduate degrees in the country. Additionally, DC has the third highest median household income (\$137,124, per USA Today) of major US metros and is ranked as the #1 city for entrepreneurship by the US Census Bureau.

These factors have led numerous companies to expand their operations to DC and the surrounding submarkets of Rosslyn, Fairfax, and Arlington. The most notable of these relocations/expansions is Amazon's "HQ2," but many other companies have followed similar paths, including:

- Hilton
- Volkswagen
- Nestle
- Facebook
- Gerber
- Bechtel
- March of Dimes
- OneWeb
- Microsoft



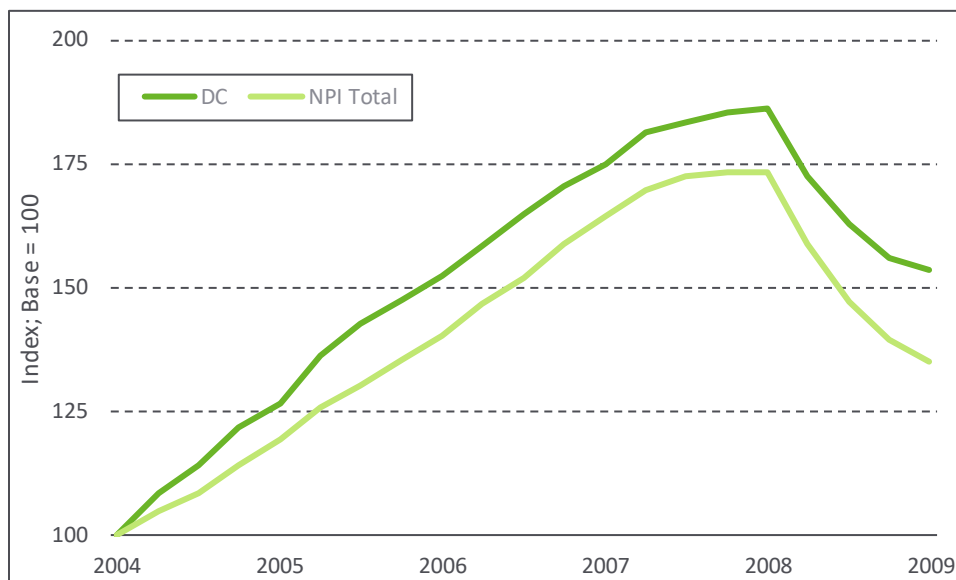
Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Many government contractors have their headquarters located in the greater DC metro area due to the proximity to their respective client bases. These companies include Lockheed Martin, General Dynamics, Northrop Grumman, Leidos, and CACI International.

In June of 2019, Virginia Tech announced that it was partnering with Lionstone Real Estate and JBG Smith to develop a one million square foot "innovation center" in the Crystal City neighborhood of Alexandria. The campus will include classrooms, incubator space for startups, offices for private company partnerships and industry collaboration. Given the density of tech talent in the market, it is likely that other universities will seek to increase their presence in Washington DC and its surrounding neighborhoods.

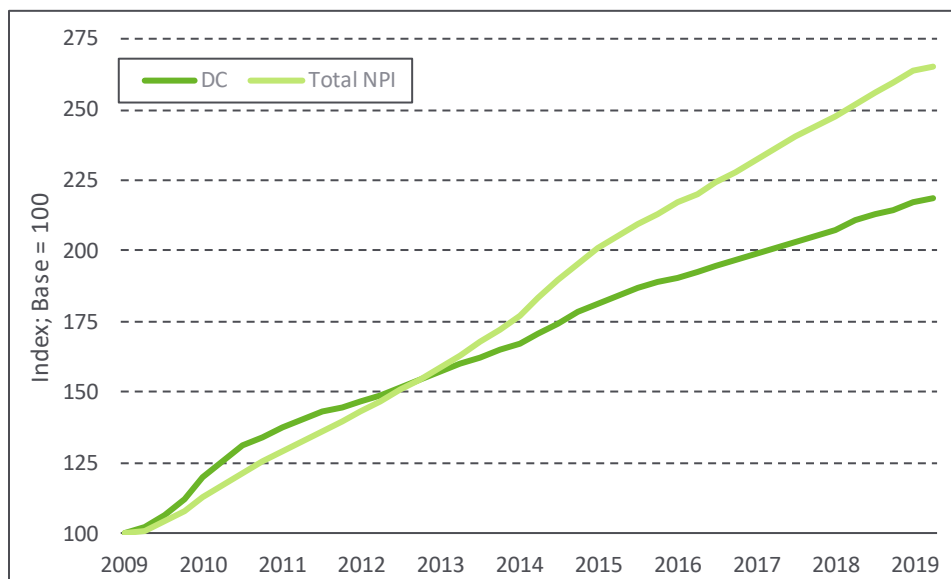
For the last 15 years, the performance of DC real estate was somewhat countercyclical to that of other major US real estate markets. From 2004 through the GFC, Washington DC outpaced the broader US markets (shown below, indexed to 2004). According to real estate broker Avison Young, DC's economy is more cushioned in downturns than that of the broader US due to the federal government and contractor presence, which tends to strengthen during periods of economic weakness.



Coming out of the GFC (post 2009) and into the ensuing real estate bull market, DC lagged the broader US market. Part of this can be attributed to BRAC, which will be discussed later, as well as a robust supply pipeline of multifamily and office projects. This pipeline continues to contract and should reach a cyclical low by 2022, according to JLL.

Penzance DC Real Estate Fund II, LP

Non-Core Real Estate



Source: NCREIF

BRAC

In 2005, President George Bush signed the Base Realignment and Closure Act, which, over the next fifteen years severely impacted the DC market. As of 2019, over 4 million square feet of office space had been vacated, over 2 million square feet of which had been vacated since 2013. When BRAC was initially approved, it was estimated that almost all the impact would be to class B/C properties. According to JLL in 2019, Of the 1.5 million BRAC-related vacancy in the Rosslyn-Ballston Corridor, over 35% was in Class A properties. This dynamic caused DC real estate to significantly underperform other major real estate markets during that time.

COVID-19 Crisis

For April 2020, the DC MSA reported a 9.9% unemployment rate versus 14.7% for the country. DC also had the smallest decline of online job postings (-28%) in April versus other major cities (~-45%). Market research firm Chmura ranks DC second-least vulnerable to job losses, behind only San Jose.

Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Expected Fund Investor Base

For Fund I, all Penzance's LPs were endowments and foundations. The capital raised for Fund II has come mostly from Fund I investors. Penzance added four new investors to Fund II including a corporate pension and family office. Penzance hopes to bring additional new investors into Fund II, including public and corporate pensions and family offices.

Current Fund Investments

The Fund has made one investment to-date. In January 2021, Fund II acquired an industrial development site in the Hagerstown, Maryland logistics market.

Example of Prior Investment

Penzance DC Real Estate Fund acquired Marker 20 (previously known as the Spring Park Portfolio) in September of 2019. The property consisted of ten, single-story office buildings totaling 419,894 square feet located in Herndon, Virginia. The Reston/Herndon submarket has greatly benefitted from increased defense spending, superior fiber connectivity, and the delivery of the Metro Silver Line, which provides efficient public transportation. Fund I expected to capitalize on the government demand for single-story office with rooftop control and a secure facility footprint. Penzance paid \$71.5 million (\$170 per square foot or 6.75% unlevered cap rate). The initial total project budget, including acquisition, leasing, and capital improvement costs for the entire portfolio over the potential investment hold period, was projected to be \$94.5 million. The project was capitalized with a \$60.2 million senior loan bank commitment and an estimated \$34.3 million commitment from Fund I. The initial base case underwriting for the project originally estimated a gross 17.0% IRR and 1.6x multiple on invested capital.

In April, 2020, Fund I sold 380 and 400 Herndon Parkway – two of the ten properties in the portfolio – for \$16.5 million (\$247 per square foot or 6.35% cap rate). The purchaser was a 1031 exchange buyer who paid a premium to market value for the long-term lease in one of the two properties that represented less value-add upside for Fund I compared to the balance of the portfolio. The sale generated \$6.2 million of net cash proceeds after the partial paydown of the portfolio-level debt. Fund I reduced the commitment to the Spring Park Portfolio by \$8.8 million as a result of the sale and will recycle the capital allocation.

In addition, Fund I sold 460 Spring Park Place, one of the remaining eight properties in the portfolio, for \$20.4 million (\$318 per square foot or 6.4% cap rate). As a fund that specializes in data centers, the buyer was attracted to the property due to its partial data center use and single-tenant, triple net lease structure. Like the 380 and 400 Herndon Parkway sale, Penzance believes that it was advantageous to sell the property at this price, reinforcing exit optionality within the portfolio.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Fund Investment Process

Deal Sourcing

Penzance has developed a broad network of institutional owners, sales and leasing brokers, lenders, local property owners, developers, tenants, and government agencies that it uses to pursue off-market transactions or to be considered after “broken” sales processes. In addition, it will directly approach owners of complex assets seeking to monetize through recapitalizations.

Penzance expects its equity commitments to be between \$20 and \$50 million, with most around \$30 million. Larger deals will be completed in conjunction with a JV partner with the Fund earning a promote fee for its role in the deal. Penzance also utilizes its deep local knowledge to identify neighborhoods experiencing demographic shifts, large tenant relocations, or attractive property ownership dynamics. With this information, it is able to underwrite potential transactions with greater certainty. Once an asset has been identified, the team assigns an acquisition lead and supporting analyst to perform initial review. The idea is then presented at a weekly pipeline review, to determine if further diligence is to be undertaken.

Investment Process

Initial Review

Once the decision has been made to pursue preliminary due diligence, the investment team, in collaboration with assigned professionals across its fully vertically-integrated platform (including from the executive team and asset and property management, development and construction, leasing, and finance departments) forms a deal team to conduct market reviews, property tours, physical and construction inspections, and debt and equity structure optimization assessments. Collectively, the deal team vets the investment thesis and provides comprehensive input to develop the value creation plan and underwriting assumptions used to price the opportunity. This includes a detailed financial model, detailing a base case scenario, as well as downside assumptions to articulate the returns that should be expected should the business plan lag initial underwriting.

Full Due Diligence and Deal Structuring

During the formal due diligence phase of the investment process, third-party consultants are often hired, on an as-needed basis, to complete environmental assessments, property condition assessments, title and survey review, property tax review, and financial audits. The deal team conducts an in-depth review of relevant items, including tenant leases, service and operational contracts, financial statements, and property files. When applicable, tenant and property-level personnel interviews are conducted, and a detailed operating budget is prepared, specifying immediate and long-term capital requirements. Prior to the conclusion of the formal due diligence phase, the deal team presents its due diligence findings to the Investment Committee, including any material variances from the team’s initial investment analysis. At this time, the deal team will submit a final proposal to the Investment Committee.

Investment Committee Approval

Before contingencies are removed from any binding agreement to close a transaction, the deal team presents its final memorandum and investment analysis to the Investment Committee and seeks final approval of the business plan for the potential investment. All Penzance employees are strongly encouraged to attend each Investment Committee meeting. The Investment Committee determines whether any material adjustments are required, including key terms of the transaction, before approving an investment. If approved by the investment committee, a final site visit is conducted, and negotiations are initiated.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Exit

Penzance actively monitors the capital markets in an effort to evaluate exit opportunities for each of its investments. The Firm takes several factors into account when deciding on the optimal way to monetize an investment. One of the largest considerations is whether to sell assets individually or as a portfolio. In Fund I (Marker 20), Penzance executed smaller transactions early in an asset's business plan to de-risk the investment profile and provide a return of capital. Penzance did not believe that these buildings would be accretive to a portfolio sale and chose to monetize quickly.

Historically, buyers of Penzance's assets look to transact once capital projects have been completed and the cash flow profile has stabilized. These investors include foreign sovereign wealth funds, public and corporate pension funds, life insurance companies, REITs, or private equity funds with core/core plus allocations.

Value Creation

Penzance believes strongly that having an integrated organization helps to drive significant value across the life of an asset. Each "team" (development, acquisitions, asset management) is used during the initial due diligence to help identify potential issues and opportunities for incremental value-add. Once an asset is acquired, these groups work to implement the business plan. In-house design and construction have allowed Penzance to standardize supplier contracts, develop replicable approaches tailored to meet tenant needs. Penzance has several distinct ways in which it believes it can add incremental value to each investment.

Leasing

Penzance seeks to maximize the value of its investments by developing leasing strategies using the Firm's thorough understanding of market dynamics. The initial leasing strategy is created early in the due diligence and is approved by the Investment Committee and is then modified throughout the lifecycle of an asset, based on market conditions and changes in business strategy. Penzance thoroughly reviews market data to assess demand in order to price leases and position properties. The Firm's investment professionals constantly speak with leasing brokers, and personally tour properties with prospective tenants. Penzance believes that personal attention helps to close deals and that leasing ultimately drives the success of a property.

Penzance notes that using outside brokers leads to a significant source of deal flow and market information. To implement its strategy, Penzance typically hires the third-party leasing team best suited to promote each asset. At the outset of this arrangement, Penzance assigns a small team of asset management professionals to manage the relationship. Formal leasing calls are conducted bi-weekly for each asset, however, Penzance team members constantly communicate with the third-party leasing teams. Penzance team members will attend tours and meetings as needed to maximize the probability of securing tenants.

Property Management

Penzance's objective of property management is to increase tenant retention and improve operational efficiency. The Firm's property managers focus on customer service, with the goal of satisfied tenants driving incremental rental revenue. Using Penzance's work order request service, a tenant can generate an electronic work order delivered directly to an on-site engineer via text message; the standard response time is one hour. Penzance reviews work order logs to identify long-term initiatives aimed at improving tenant relationships and driving cost savings.

Development and Construction

With respect to development Penzance's top objective is to optimize return on investment. Firm spends significant time designing projects to maximize leasable area. Similarly, capital expenditures in existing buildings are subject to rigorous cost-benefit analysis in support of each property's business plan. Penzance relies on the extensive experience of its in-house development, construction, and property management teams for design, construction, and management of each project.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Risk Mitigation

Penzance has established risk management and compliance procedures at the investment and portfolio level to monitor and mitigate investment and operational risk. Each department at Penzance systematically identifies and reviews risk as applicable to its respective expertise. These efforts are led by the Firm's CFO and Managing Director of Asset and Portfolio Management. In addition, the Firm has hired a Senior Vice President of Investments to focus on due diligence and risk mitigation activities for the Firm's investment activities. Information will then be reported to the Executive Team. The key risks that Penzance has identified are:

Market Risk: Penzance conducts sector or submarket research to monitor market risk. Penzance considers national, regional, and submarket job growth trends, changes in the national and local economy (as measured by GDP) and, due to its specific relevance to the Washington, DC metropolitan area, changes at or within the federal government and government spending in the region.

Development Risk: Penzance's development and construction professionals conduct thorough due diligence and feasibility analyses beginning with entitlement and zoning evaluations, evaluate multiple design alternatives, and prepare construction cost and schedules. The underwriting process includes analysis of relevant product-type markets, comparable transactions, and supporting development cost projections.

Counterparty Risk: Counterparties broadly include sellers/buyers of real estate who may be opposite Penzance in a transaction, lenders, tenants, vendors, and other third parties. The Firm considers its counterparties on each transaction as it monitors each relationship on an ongoing basis. In addition, credit analysis of prospective tenants is always performed prior to any commitment to further lease negotiation.

Additionally, the Fund may not:

- Invest more than 20% of capital commitments in a single investment
- Invest more than 25% of capital commitments in ground-up development
- Invest more than 20% of capital commitments in target investments entirely comprised of retail, industrial or data center assets
- Invest outside of the DC Metro Area



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Fund Economics

Management Fee

The management fee of 1.50% will be charged on committed capital during the investment period, and on invested capital thereafter.

Distribution Waterfall

The distribution waterfall is a European structure and is as follows:

1. 100% to Limited Partners until they have received a return of their capital plus an 8% cumulative compounded annual return on capital
2. 50% to the General Partner, as carried interest, until the distributions to the General Partner equal 20% of the cumulative distributions
3. 80% to Limited Partners and 20% to the General Partner as carried interest

Allocation of Carried Interest

67% of carried interest will be allocated to Ms. Springer and Mr. Tolkan. The remainder will be allocated to employees across the Penzance organization. Every employee will receive a portion of the Fund's carried interest.

Other Fees and Expenses

The Fund will bear all organizational expenses up to \$1.0 million. In addition to organizational costs, the Fund will pay all expenses, costs and liabilities related to its operations. The Fund will pay a property management fee of 3.0%, 3.0% of total development costs, and 1.0% of base rent as a leasing expense on all non-multifamily assets. These fees are consistent with current market rates.

Sponsor's Investment

The General Partner will commit at least \$5.0 million to the Fund.

Fund Administration, Structure and Policies

Fund Structure

The Fund will be structured as a Delaware Limited Partnership.

ERISA Provisions

The General Partner shall use its reasonable efforts to conduct the affairs of the Fund such that the Fund's assets should not constitute plan assets of any ERISA Partner.

UBTI Considerations

The Fund may make investments that generate unrelated business taxable income "UBTI" for tax-exempt investors. Fund II will have a REIT and a non-REIT structure that will contain the Fund's investments, based on the business plan for each.

Labor Policy

Penzance does not have a formal labor policy.

Key Persons Provision

A Key Person Event will occur if at any time prior to the expiration of the Commitment Period, either Julia Springer or Victor Tolkan cease to devote substantially all of her or his business time and attention to the management of the Fund. Should a Key Person Event occur, the General Partner must cease making new investments for 180 days, and if a replacement is not approved by the Investment Advisory Committee, the Commitment Period will be terminated.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

GP Removal Provisions

In the event that the General Partner is found to have engaged in certain "Cause" conduct as set forth in the Partnership Agreement, then a majority in interest of the Limited Partners may either (i) remove the General Partners (provided that the General Partners have not cured such event of Cause as provided in the Partnership Agreement) and substitute another person as general partner of the Fund (which successor general partner shall be approved by a majority in interest of the Limited Partners and which removal shall be effected in accordance with the procedures set forth in the Partnership Agreement), or (ii) commence the liquidation of the Fund.

LP Advisory Committee

Penzance will create an Limited Partner Advisory Committee (LPAC), which will be tasked with (i) waiving investment and indebtedness restrictions; (ii) providing consent when necessary, pursuant to the Partnership Agreement or as deemed appropriate by the General Partner; (iii) consulting with the General Partner with respect to matters presented by the General Partner and (iv) taking any other action that requires the approval or consent of the LPAC under the Partnership Agreement. The LPAC will meet at least annually. Penzance estimates the LPAC will consist of approximately seven LPs, consistent with the number in Fund I.

Reporting

The Fund will provide audited financial statements to all Limited Partners, valuations of all investments and tax information necessary for the completion of U.S. tax returns, each within 120 calendar days after the end of each fiscal year. Each Limited Partner will also be provided with the unaudited financial statements of the Fund within 60 calendar days after the end of each of the first three fiscal quarters of each fiscal year. Limited Partners will also receive descriptive investment information for each of the investments on a quarterly basis. Penzance plans to hold an annual LP meeting each fiscal year, during which it will review current DC market conditions and each Fund investment.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Valuation Policy

Although valuation techniques may differ between each Fund asset due to the heterogeneous nature of real estate assets overall, Penzance's valuation methodology will focus on the characteristics of the underlying asset, its highest and best use, and the market condition in general as inputs to update a financial proforma, which assesses the current and expected cash flow on discounted cash flow, market sales comparables, and replacement cost comparables. Penzance will support the value of each Fund asset with an appraisal completed by a qualified third-party appraiser not less frequently than every three years (which may include any appraisals commissioned by third parties in connection with financings or other transactions).

The year-end financial statements are audited. As part of the financial statement audits, CohnReznick will perform audit procedures over the valuation of each asset in the Fund.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Litigation, Regulation and Compliance

Current Litigation

Penzance is not involved in any current litigation.

Compliance Staff and Philosophy

Prior to the launch of Fund I, Penzance has adopted a Code of Ethics, which is contained in its employee handbook.

Penzance's Code of Ethics requires employees to act with integrity and in an ethical manner with the public, investors, prospective investors, and colleagues. The Firm recognizes that it must operate beyond reproach and avoid conflicts of interest, actual or perceived, to place the integrity of the business and the interests of its clients above any personal interests. Per the Code of Ethics, Penzance has a duty to use reasonable care and exercise independent professional judgment when conducting investment analysis, recommendations, actions, and engaging in other professional activities. In addition, employees must practice in a professional and ethical manner that reflect credit on themselves and their profession. The Code of Ethics also encourages employees to maintain and improve their professional competence. The Code of Ethics is maintained by Michael Lefkowitz, the Penzance's General Counsel.

SEC Oversight

Penzance is not registered with the SEC but will consider registering if a large number of Limited Partners ask the Firm to do so.

Subject to Other Regulators

Penzance is not registered with any additional regulators.

Personal Trading Restrictions

Penzance's Compliance Manual includes the Code of Ethics, which is attached to the employee handbook and requires, among other things, that the employee complies with its trading policies.

In summary, whenever an employee receives information about a company, she/he should refrain from trading while in possession of that information unless she/he first determines that the information is public and/or non-material. The employees should also refrain from disclosing the information to others, such as family, relatives and business or social acquaintances, who do not need to know it for legitimate business reasons. If the employee has any questions as to whether the information is nonpublic and/or material, she/he must resolve their question(s) before trading, recommending a trade, or divulging the information. If any doubt at all remains, the employee is directed to consult the Penzance's General Counsel, who will review the issue and determine whether the information is material and nonpublic and, if so, what further action may be required to be taken.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Firm Infrastructure

Office Locations

All of Penzance's corporate employees work out of the Firm's DC office. Property management personnel are located at each of Penzance's assets.

Technology Resources and Systems

Penzance uses the following technology to manage its operations:

Fund accounting utilizes MRI, Nexus, AltaReturn, and Microsoft Excel

Investor reporting utilizes AltaReturn, IntraLinks, and the suite of Microsoft Office products

Cash transactions utilize: PNC Pinacle and banking software related to each property

Valuation: MRI, Argus, Microsoft Excel, CoStar, Delta Reports, and Axiometrics

Business Continuity Planning

A Business Continuity Plan ("BCP") ensures that Penzance has the proper guidelines, support, and resources in place to resume business operations as quickly and efficiently as possible after an emergency event. Emergency events include natural, technological, or man-made disasters that significantly disrupt Penzance operations.

All employees and certain key consultants are provided Penzance laptops as standard issue. All laptops are configured with cybersecurity monitoring and alerting software. Logon access for the Penzance network including email and data files utilize Multi-Factor Authentication for an additional layer of security. This enables the personnel to be mobile and work from multiple locations.

- Critical systems, such as e-mail, accounting software, cash management, payables management, leasing management, are web-based and accessible remotely through laptops, home computers, tablets, and smartphones.
- Cash management software applications are also web-based on-line applications provided by the Penzance's banking relationships and available through a secure web-browser.
- Penzance utilizes Microsoft Office 365 for the Microsoft suite of products, including Outlook for email and One-Drive for file sharing and storage. These applications are hosted and provide user access to email and documents from anywhere.
- Email Security Services will hold all inbound messages for up to seven days during an unlikely outage of the Microsoft Enterprise Platform.
- Penzance utilizes both a primary and secondary internet service provider ("ISP"). If necessary, the primary ISP is set to automatically fall over to the secondary ISP within the main firewall.
- Penzance maintains full image-based backup and disaster recovery for local servers. On a daily basis, server data and software are backed up both locally and off-site to iLand, a secure cloud platform-based backup and disaster recovery platform. The retention period is 14 days.

Fund Administration / Back Office Resources

Penzance has 15 administrative and back office professionals. This includes Sean Bare, Penzance's CFO, and Richard Brookshire, Penzance's Managing Director for Asset and Portfolio Management as well as a senior controller, five junior controllers, four staff accountants, one accounting clerk, one lease administrator, and one administrative support staff.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Additionally, Penzance utilizes NetLogic to manage all of its IT systems and JGM Fund Services to handle fund administration duties for both, Fund I and Fund II.



Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Appendix A: Firm Attribution Analysis

Aggregate Investments – Total Value to Paid-In-Capital (TVPI) Analysis

The chart below shows the individual investment TVPI multiples for Penzance's prior deals. The size of the bubble on the chart indicates the relative size of the equity commitment to a given investment.

Investment-Level Returns Analysis by Fund and Investment Status



Note: TVPI multiple represents the ratio of realized + current value to capital funded. Current value based on the fair market value. Fund data is as of December 31, 2019 and provided by the Manager. For benchmarking purposes, we compared fund performance to the Thomson One Us Value-Add and Opportunistic Closed-End Fund universe. Benchmark performance is as of March 31, 2020.

Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Appendix B: Key Fund Professionals

Name	Biographies
Julia Springer	<p>Ms. Springer co-founded Penzance with Victor Tolkan in 1996. Assets under management currently exceed \$1.4 billion with an aggregate transaction volume of \$2.9 billion over the firm's 24-year history in partnership with blue chip institutional investors. In 2017, the firm launched the Penzance DC Real Estate Fund LP to invest in value add and opportunistic strategies, including development projects, across the Washington, D.C. metropolitan region.</p> <p>Ms. Springer served as an economist for the Board of Governors of the Federal Reserve and at Resources for the Future, and as clerk for United States District Judge Peter Beer (ED, Louisiana) before she co-founded the firm. She was an attorney in the real estate and corporate transactions group at the law firm of Shaw Pittman LLP, now Pillsbury. Ms. Springer serves on the Board of Trustees for the Field School in Washington, DC and has served on the boards of the Children's Law Center and the Jordan River Foundation, and as co-chair of the DC Leadership Circle of Women for Women.</p>
	<p>Education Ms. Springer received a BA from Lewis and Clark College and a JD from University of Virginia School of Law.</p>
Victor Tolkan	<p>Mr. Tolkan's extensive real estate connections, market knowledge and entrepreneurship make him a leader in the industry. Over 20 years ago, he, along with Julia Springer Tolkan, co-founded Penzance, a real estate investment firm. The firm's assets under management currently exceed \$1.4 billion with an aggregate transaction volume of \$2.9 billion over the firm's history in partnerships with institutional investors through separate accounts, joint ventures and its discretionary fund.</p> <p>Prior to co-founding the firm, Mr. Tolkan was responsible for the site acquisition, development, leasing, management, tenant build-out, and design for CNV Partnership. He was also the President and CEO of The Door Store, a retail furniture business.</p>
	<p>Education Mr. Tolkan received a BA from Tulane University</p>
Cristopher White	<p>Mr. White is the Managing Director for Investments at the firm. He has 17 years of professional experience in commercial real estate, finance and consulting in Washington, D.C. and New York.</p> <p>His primary focus is new investment opportunities for the Penzance real estate funds as well as oversee strategic initiatives on Penzance's existing assets, which includes approximately 2.0 million square feet of office, nearly 1,000 apartment units, approximately 900 apartment units under construction, and approximately 2.0 million square feet of development pipeline.</p> <p>Previously, Mr. White led the Acquisitions and Asset Management Team in the Washington, DC market for MRP Realty. He was directly involved in over \$1 billion total capitalization in multiple product types. Mr. White also worked at H/2 Capital Partners in Stamford, CT where he focused on investments and risk management of debt securities collateralized with real estate assets across the United States, Canada, and London.</p>
	<p>Education Mr. White received an BA from Princeton University</p>

Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Sean Bare	<p>As CFO, Mr. Bare oversees all financial management functions including accounting, reporting, fund administration, financial planning, portfolio management, treasury, debt capital markets and information technology. Mr. Bare has over 29 years of commercial real estate experience with public and private companies in finance, accounting, capital markets, and strategic planning. He has built a \$100 million lending platform, helped grow a regional office REIT to a national firm, raised \$11 billion of debt and equity capital, restructured \$2 billion of debt, analyzed private and public company investments, and participated on strategic planning management committees for financial services and commercial real estate firms creating significant value for investors.</p> <p>Previously, Mr. Bare held positions at Baja Longtail Capital, American Capital, Ltd. and CarrAmerica Realty Corporation.</p>		
	<table border="1"> <tr> <td data-bbox="472 625 618 632">Education</td><td data-bbox="618 625 1518 632">Mr. Bare received a BS in accounting from the University of Delaware</td></tr> </table>	Education	Mr. Bare received a BS in accounting from the University of Delaware
Education	Mr. Bare received a BS in accounting from the University of Delaware		
Michael Lefkowitz	<p>Mr. Lefkowitz is the Senior Vice President and General Counsel of Penzance. He is responsible for the company's legal activities, providing advice and counsel, and review of leasing, ownership structuring, contract negotiation, and general operations.</p> <p>Previously, Mr. Lefkowitz was a partner at the law firm of Holland & Knight, LLP in Washington, DC, where he represented developers, pension funds, institutional owners, hospitality companies, investors, and corporate tenants in the acquisition, sale, leasing, financing, and development of real estate assets.</p>		
	<table border="1"> <tr> <td data-bbox="472 934 618 940">Education</td><td data-bbox="618 934 1518 940">Mr. Leftkowitz received a BA from Muhlenberg College and a JD from the University of Baltimore School of Law</td></tr> </table>	Education	Mr. Leftkowitz received a BA from Muhlenberg College and a JD from the University of Baltimore School of Law
Education	Mr. Leftkowitz received a BA from Muhlenberg College and a JD from the University of Baltimore School of Law		
Richard Brookshire	<p>Mr. Brookshire is the Managing Director for Asset and Portfolio Management. His primary focus is portfolio management for the Penzance real estate funds as well as overseeing asset management for Penzance's existing assets. He has over 20 years of real estate experience with office, multifamily, and mixed-use properties in U.S. urban and suburban markets across value-add and opportunistic investment strategies for leading domestic and foreign investors. He has been part of senior leadership teams overseeing more than 8.0 million square feet of assets and professionals covering a broad range of real estate disciplines. His transaction experience includes over \$3 billion of acquisitions and development, \$4 billion of debt financings, \$2 billion of equity capital raises, and \$2 billion of recapitalizations/restructurings.</p> <p>Previously, Mr. Brookshire was a senior principal at Monday Properties where he led investment and portfolio management activities from 2004 to 2015. Before that at Tishman Speyer he held acquisition, finance, disposition, and portfolio management roles. He began his career with Arthur Andersen.</p>		
	<table border="1"> <tr> <td data-bbox="472 1371 618 1377">Education</td><td data-bbox="618 1371 1518 1377">Mr. Brookshire received a BS from Wake Forest University</td></tr> </table>	Education	Mr. Brookshire received a BS from Wake Forest University
Education	Mr. Brookshire received a BS from Wake Forest University		
John Kusturiss III	<p>Mr. Kusturiss is the Senior Vice President, Development and Construction. He oversees development and construction activities for the firm including ground-up development. With 15 years of real estate experience he has been responsible for the due diligence, acquisition entitlement, design management, construction management, and leasing efforts for over 1.5 million square feet of new product.</p> <p>Previously, Mr. Kusturiss worked at Equity Residential on the development team where he managed development and construction activities for six Class-A apartment projects totaling over 1,500 units and 50,000 square feet of retail. Prior to that, Mr. Kusturiss worked for Clark Construction coordinating the design and construction of new multifamily buildings in the Washington, D.C. metropolitan area. Mr. Kusturiss serves on the Board of Directors of NAIOP and as the co-chair of the Arlington County Government subcommittee. Additionally, he serves on the Rosslyn BID Urban Design Committee and is a 2016 Leadership Center for Excellence 40 Under 40 Honoree.</p>		
	<table border="1"> <tr> <td data-bbox="472 1829 618 1835">Education</td><td data-bbox="618 1829 1518 1835">Mr. Kusturiss received a BS from the University of Delaware and an MBA from George Washington University</td></tr> </table>	Education	Mr. Kusturiss received a BS from the University of Delaware and an MBA from George Washington University
Education	Mr. Kusturiss received a BS from the University of Delaware and an MBA from George Washington University		

Penzance DC Real Estate Fund II, LP

Non-Core Real Estate

Appendix C: ESG Rating

General Fund Information		Evaluation Criteria and Commentary	
Firm	Penzance, LLC	Firm-Level	
Fund	Penzance DC Real Estate Fund II, LP	Firm-Level Commitment	Penzance has fully adopted an ESG policy that encompasses the Firm's core values as well as the initiatives that have been incorporated into its investment process. Additionally, the Firm continues its internal initiative to hire candidates with diverse backgrounds, which Penzance believes will lead to more creative thought, and ultimately greater investment returns.
Strategy-Type	Non-core real estate	Resources	The Firm does not have any dedicated resources but expects each of its employees to integrate Penzance's ESG policy. Penzance will engage with third-party consultants, particularly when evaluating environmental situations.
WMBE Firm	Yes	Engagement Policies	Penzance, as a local operator, has more hands-on involvement in its investments than traditional real estate allocator funds. During diligence, Penzance will engage with the building's current owner to discuss energy-saving initiatives, and meet with tenants to understand their needs and community involvement.
ESG Rating		Strategy-Level	
ESG 2		Overview	In order to ensure a consistent approach, Penzance outlines all of its ESG initiatives in its policy. The Firm believes that while sound ESG practices can mitigate certain risks, they can also drive enhanced returns at the property level.
ESG Ratings are on a scale of 1 through 5, with 1 indicating a best in class approach and 5 indicating no integration.		Integration Process	ESG is thoroughly integrated into the diligence process and asset management for each Penzance investment. During diligence Penzance evaluates (usually using a third-part consultant) the environmental footprint of an asset and how incremental capital can be invested to drive cost savings. When selecting vendors, Penzance seeks to partner with groups that share similar beliefs regarding best practices and social responsibility.
Analyst Opinion		Resources	The strategy does not have any dedicated resources, but Penzance will consider adding dedicated professionals as it continues to raise capital.
Penzance, a female-owned business, has a detailed ESG policy that is integral to the Firm's daily operations as well as its investment strategy. This policy outlines each component of ESG and how it should be implemented with each deal that Penzance evaluates. From an environmental and social perspective, Penzance highlights the potential for cost savings and tenant engagement as return-enhancing initiatives that are included in its formal investment proposals. These initiatives are monitored regularly and included in the Firm's annual report to investors. Penzance continues to support diversity in its workforce and has made hiring diverse candidates a priority. Women and minorities comprise 60% of the Firm's employee base and 75% of its most recent internship class. While Penzance does not have any dedicated ESG resources, it will consider doing so as it continues to raise capital.			

Disclaimers and Disclosures

- Past performance is no guarantee of future results.
- The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.
- Information on market indices was provided by sources external to NEPC, and other data used to prepare this report was obtained directly from the investment manager(s). While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- NEPC may provide background information on fund structures or the impact of taxes but you should contact your legal counsel or tax professional for specific advice on such matters.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

In addition, it is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds, real estate and private equity:

1. Performance can be volatile and investors could lose all or a substantial portion of their investment
2. Leverage and other speculative practices may increase the risk of loss
3. Past performance may be revised due to the revaluation of investments
4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount
6. These funds are not subject to the same regulatory requirements as registered investment vehicles
7. Managers may not be required to provide periodic pricing or valuation information to investors
8. These funds may have complex tax structures and delays in distributing important tax information
9. These funds often charge high fees
10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy





Penzance DC Real Estate Fund II LP



PENZANCE

Disclaimer

This presentation has been prepared solely for informational purposes by Penzance Properties, L.L.C. (“**Penzance**” or the “**Sponsor**”), and is being furnished by Penzance solely for use by qualified prospective investors in preliminary discussions regarding a purchase of limited partnership interests (the “**Interests**”) in the Penzance DC Real Estate Fund II LP (together with any parallel funds, “**Fund II**”). The presentation is confidential and may not be reproduced. The presentation was prepared without regard to the specific objectives, financial situation, or needs of any particular person who may receive it. Under no circumstances is this presentation to be used, or considered as an offer to sell or a solicitation of an offer to buy, any security. Any such offering may be made by the confidential private placement memorandum of Fund II (the “**Memorandum**” and, together with the other offering documents, the “**Offering Materials**”) and the definitive provisions provided for in the operating documents of Fund II, which will be made available to potential qualified investors and which should be read carefully by potential qualified investors and their respective advisors. The discussion herein is qualified in its entirety by reference to the detailed information, including the substantial risks associated with an investment in Fund II, which will appear in the Memorandum and other definitive documents of Fund II. The Memorandum and any such other definitive documents of Fund II will govern in the event of a conflict between the information contained herein and therein. Penzance disclaims any obligation to update this presentation to reflect subsequent developments.

This presentation is not intended to be relied upon as the basis for an investment decision, and this presentation is not, and should not be assumed to be, complete. In making an investment decision, prospective investors should conduct their own investigation and analysis of the data and descriptions set forth in this presentation and must rely on their own examination of the investment opportunity, including the merits and risks involved. Prospective investors will be given the opportunity to review the actual documentation that will govern the rights and obligations of the parties with respect to Fund II. Qualified prospective investors may obtain from Penzance such additional available information as may be reasonably requested. Purchase of the Interests is suitable only as an investment for, and will be offered only to, persons who have, directly or through qualified representatives, the ability to evaluate the merits and risks of an investment in the Interests and the ability to assume the economic risks involved in such investment.

No person has been authorized to give any information or to make any representations other than those to be contained in the Memorandum regarding the eventual offering, if any, of the Interests. The contents of this presentation are not to be construed as legal, accounting, business, or tax advice. Each prospective investor should consult its own attorney, accountant, business advisor, and tax advisor as to legal, accounting, business, and tax advice. Penzance is not recommending that any recipient of this presentation purchase the Interests, and Penzance does not represent or warrant that the Interests are a suitable investment for such recipient.

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This presentation includes returns for all realized investments made by Penzance prior to the formation of Penzance DC Real Estate Fund I LP (“**Fund I**”). Returns are calculated based on investment inflows and outflows and, where applicable, annualized. Unless otherwise indicated, all returns for such realized investments have been calculated on a gross basis, reflect the use of investment-level leverage, and have been calculated after the deduction of property-level fees, but before carried interest, if any, which may be substantial in the aggregate and could reduce returns to investors. The past performance of any investments or other investment products managed or controlled by Penzance or any of its affiliates, including Fund I, may not be indicative of the results that Fund II may be able to achieve. Furthermore, the nature of, and risks associated with, Fund II's investments may differ from those investments and strategies undertaken historically by Penzance and its affiliates with respect to other investments or investment products that they manage. There can be no assurance that Fund II's investments will perform as well as these past investments or that Fund II will be able to avoid losses. A complete list of all investments made by Penzance prior to the formation of Fund I, including all unrealized investments, is available upon request.

This presentation includes target returns for Fund II and underwritten gross returns for the unrealized investments made by Penzance in Fund I. Target and underwritten gross returns are derived by the Sponsor from analyses based upon market experience, including data related to operating expenses, market expectations, and historical averages related to the risk/return profile and generally accepted criteria for making investments in the type of anticipated investments. The Sponsor's target return for Fund II is based on the expected cumulative returns generated by a series of real estate investments across a multi-year investment period. Underwritten gross returns are target returns underwritten by the Sponsor for each investment and do not reflect the effects of fund-level management fees, costs, and expenses, or carried interest, which in the aggregate may be substantial and will reduce net returns to investors. Therefore, underwritten gross returns may not be meaningful. Target and underwritten gross returns are also based on certain assumptions including, but not limited to, anticipated hold period, market conditions, default rates, tenant credit stability and turnover, exit strategies and availability, and cost of financing. Targets, estimates or other forecasts contained herein are based upon subjective estimates and assumptions about circumstances and events that may not yet have taken place and may never take place. If any of the assumptions do not prove to be true, results may vary substantially from the target return and underwritten gross returns included in this presentation. Target and underwritten gross returns shown are pre-tax and represent possible returns that may be achieved only for a period of time.

The Sponsor makes no guarantee that target or underwritten gross returns will be achieved. Target and underwritten gross returns are objectives and should not be construed as providing any assurance as to the results that may be realized in the future from investments. Many factors affect performance including changes in market conditions and interest rates and changes in response to other economic, political, or financial developments. Any target and underwritten gross returns are being shown for information purposes only and should not be relied upon to make predictions of actual future performances. The information underlying any forecasts has been obtained from or is based upon sources believed to be reliable, but the Sponsor assumes no responsibility for, and makes no representation or warranty, express or implied, as to the adequacy, accuracy or completeness of, any such information.

This presentation includes certain photographs of properties owned or previously owned by Penzance. These photographs are intended for informational and historical purposes only. No assurance can be given that Fund II will be able to invest in similar properties as those depicted in such photographs.

Certain information in this presentation constitutes forward-looking statements. Due to various risks, uncertainties, and assumptions made in our analysis, actual events or results or the actual performance of the types of investments covered by this presentation may differ materially from those described. The information herein reflects our current views only, are subject to change, and are not intended to be promissory or relied upon by prospective investors. There can be no certainty that events will turn out as we have opined herein. An investment in Fund II is speculative and involves a high degree of risk and is suitable only for sophisticated investors who can bear substantial investment losses and have no need for liquidity. A prospective investor should review carefully the section of the Memorandum, when available, entitled “Certain Risk Factors and Potential Conflicts of Interest” and should consider such risks in their entirety and should consult with its advisors. No assurance or guarantees can be given that Fund II's investment strategy will prove successful and/or that the investment objectives of Fund II will be achieved or that an investor will receive a return of all or part of its investment (and investment results may vary substantially over any given time period).

The Interests described herein, when and if offered, will not be registered under the Securities Act of 1933, as amended (the “**1933 Act**”) or any state or foreign securities laws, and the Interests will be offered and sold only to persons that are both (x) “accredited investors” (as defined in Regulation D under the 1933 Act) and (y) “qualified purchasers” (as defined in the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The Interests will be subject to certain restrictions on transferability and resale contained in the Fund II operating documents. The Interests have not been approved or disapproved by the Securities and Exchange Commission or any other state or foreign securities regulator. It is anticipated that Fund II will be exempt from the registration requirements of the Investment Company Act, and investors will not be entitled to the protections of such act.

Our Firm



MULTI-DECADE
TRACK RECORD
OF SUCCESS



INVESTMENT
PHILOSOPHY



DC
REAL ESTATE
MARKET EXPERT



VERTICALLY-
INTEGRATED
OWNER
OPERATOR
DEVELOPER



WOMAN-
OWNED
BUSINESS

DIVERSE &
INCLUSIVE TEAM



Washington, DC Metropolitan Area Real Estate Investment Specialist

DC Market Expert

- 24 years of experience investing, owning, operating, and developing in the Washington, DC metropolitan area (“DC Metro Area”)
- Over \$1.2 billion of invested and committed/projected equity in 52 deals
- Over 50% of deals sourced off-market

Full-Service Operator

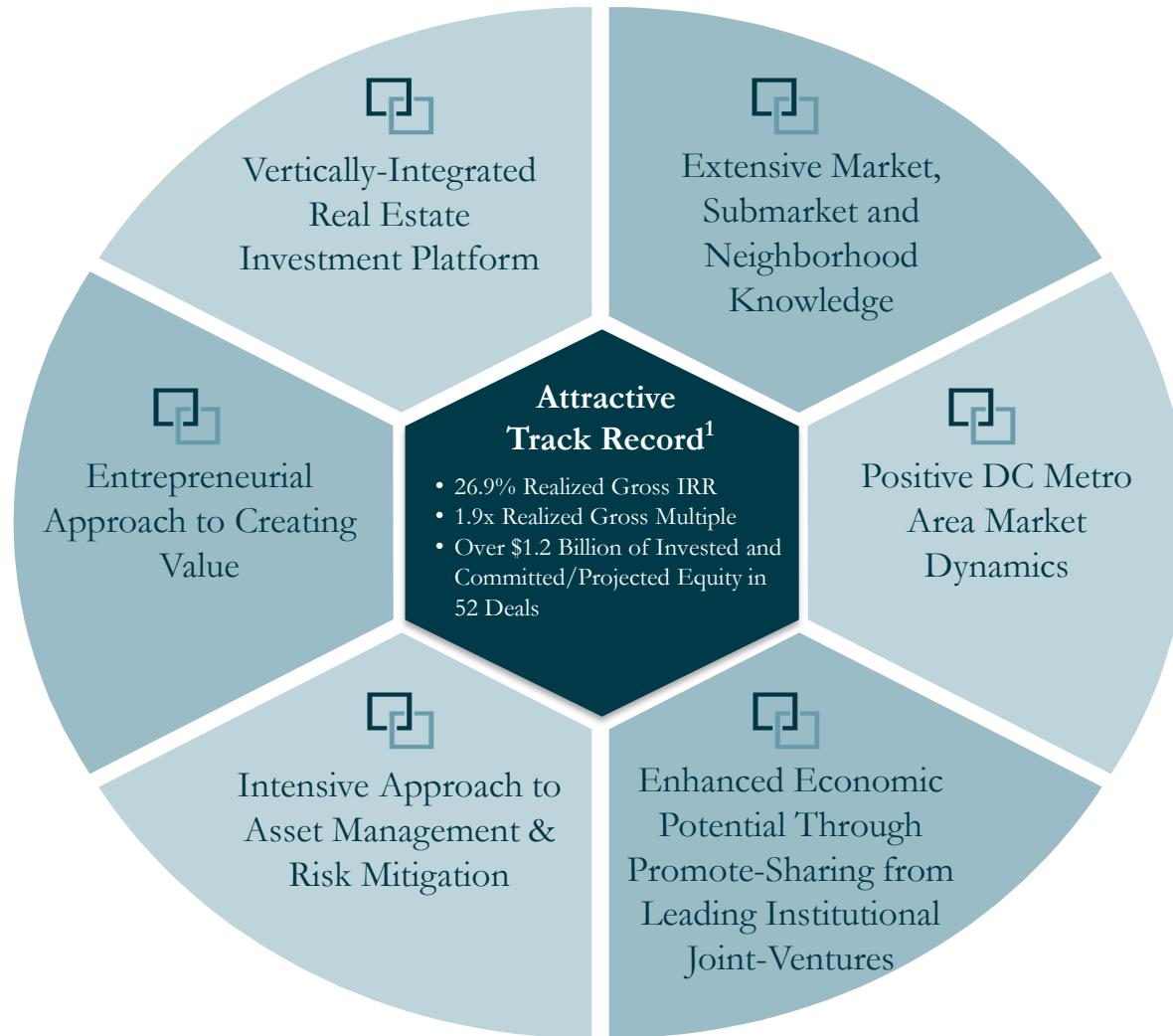
- Ability to invest through market cycles with development, entitlement, and acquisition capabilities across product types
- Proactive management with fully integrated property management, construction and asset management teams

Drives Value Creation

**Distinctive Fund Structures
Includes Promote-Sharing from
Leading Institutional
Joint-Venture Partners**

**Attractive Risk-Adjusted Returns at
Favorable Cost to Limited Partners**

DC Metro Area Real Estate Investment Specialist



1) Unless otherwise indicated, performance numbers are since inception. Past performance is not indicative of future results. All results are gross and do not reflect the customary fees and expenses investors pay when investing in pooled investment vehicles, such as management and performance fees. Please refer to the "Disclaimer" and the "Endnotes to Realized Investments" for important information regarding performance.

Penzance Core Competencies

SOURCING

- | | |
|------------------------------|--|
| Local Relationships | <ul style="list-style-type: none"> • Extensive network of local owners fosters direct transactions • Local brokerage community often provides first and last look on marketed deals • Over 50% of transactions sourced off-market |
| Informed Underwriting | <ul style="list-style-type: none"> • Creative solutions and identification of opportunities where others see obstacles |
| Market Knowledge | <ul style="list-style-type: none"> • High-barrier-to-entry infill development • Successful assemblages • Spike parcels; Traffic patterns; Optionality |

CREATIVE STRUCTURING & RISK MITIGATION

- | | |
|--|--|
| Extensive Due Diligence | <ul style="list-style-type: none"> • Seek to underwrite complex issues that may turn away traditional buyers • Identified additional density, letter of credit and procurement legislation |
| Sophisticated Financial & Legal Structuring | <ul style="list-style-type: none"> • Ground lease extensions, buy-outs, and restructurings • Option contracts • Advantageous seller financing • Land contribution strategies |

OPERATIONS & VALUE-ADD

- | | |
|---|--|
| Zoning Expertise | <ul style="list-style-type: none"> • Unlock density • Highest and best use • Combined lot development • Transfer of development rights purchases |
| Proactive Asset Management | <ul style="list-style-type: none"> • In-house and 3rd party leasing expertise; In-house construction management • Launched and led Watergate Leadership Council |
| Analytical, Hands-On Leasing | <ul style="list-style-type: none"> • Tenant credit enhancement • FFRDC-rated credit pre-lease • Focus on tenant relationships |
| Return-Focused Expense Reduction & Revenue Enhancement | <ul style="list-style-type: none"> • Proactive lease administration: identified additional tenant pass-through operating expenses • Management of operating expenses through competitive bidding • Maximize rentable square footage |

Entrepreneurial Approach to Creating Value

Complex Situations

- **Under-utilized Buildings**
 - Functionally challenged properties
 - Buildings in need of repositioning to meet market demand for property type
- **Under-managed and poorly capitalized properties**
 - Substantial vacancies
 - Near-term lease expirations
 - Deferred Maintenance
 - Over-leveraged assets
- **Development Opportunities**
- **Corporate dispositions**
- **Projects lacking vision and identity**



Creative and Sophisticated Solutions

- Seek to find solutions and opportunities where others see obstacles
- Extensive experience with sophisticated financial and legal structuring
- Creative, targeted approach to investment complexities and seller needs or interests



Attractive Risk-Adjusted Returns

Attractive Investment Track Record¹

Over \$1.2 billion of invested and committed/projected equity in 52 deals

As of September 30, 2020, realized investments have generated attractive risk-adjusted returns:

- \$808 million of total proceeds
- 26.9% gross IRR and 1.9x gross multiple¹

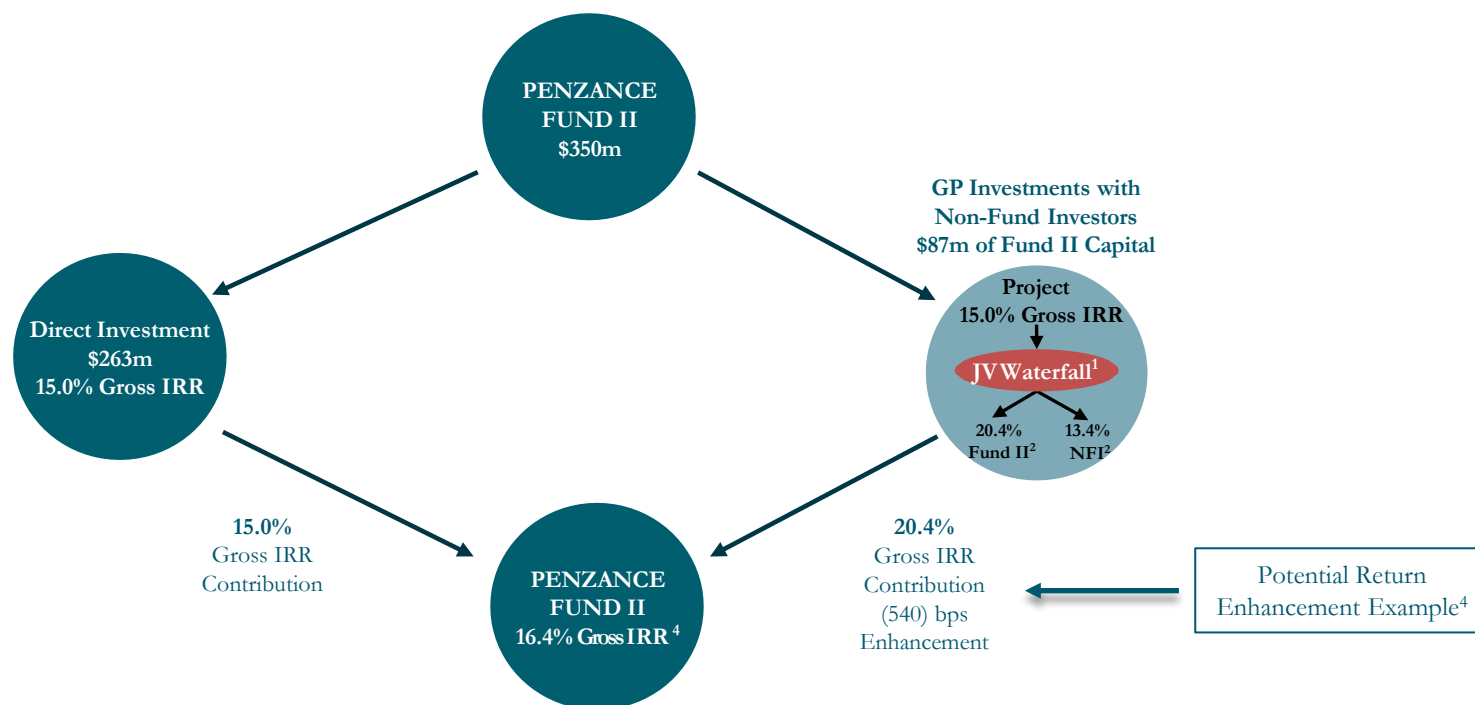
Number of Investments:	52 Total / 34 Realized
Total Proceeds:	\$808 million
Net Profit:	\$317 million
Gross IRR:	26.9% ¹
Gross Multiple:	1.9x ¹



1) Unless otherwise indicated, performance numbers are since inception. Past performance is not indicative of future results. All results are gross and do not reflect the customary fees and expenses investors pay when investing in pooled investment vehicles, such as management and performance fees. Please refer to the "Disclaimer" and the "Endnotes to Realized Investments" for important information regarding performance.

Fund as GP / Asset-Level Promote Potential

- 10-25% of Fund II capital is expected to be allocated for strategic joint-ventures with leading non-fund institutional investors where Fund II serves as general partner in the asset-level joint-ventures
- Potential of enhanced returns through Fund II earning a promote as general partner in asset-level joint-ventures
- Access to long-standing Penzance joint-venture relationships
- Strategy seeks increased diversification across a larger pool of investments



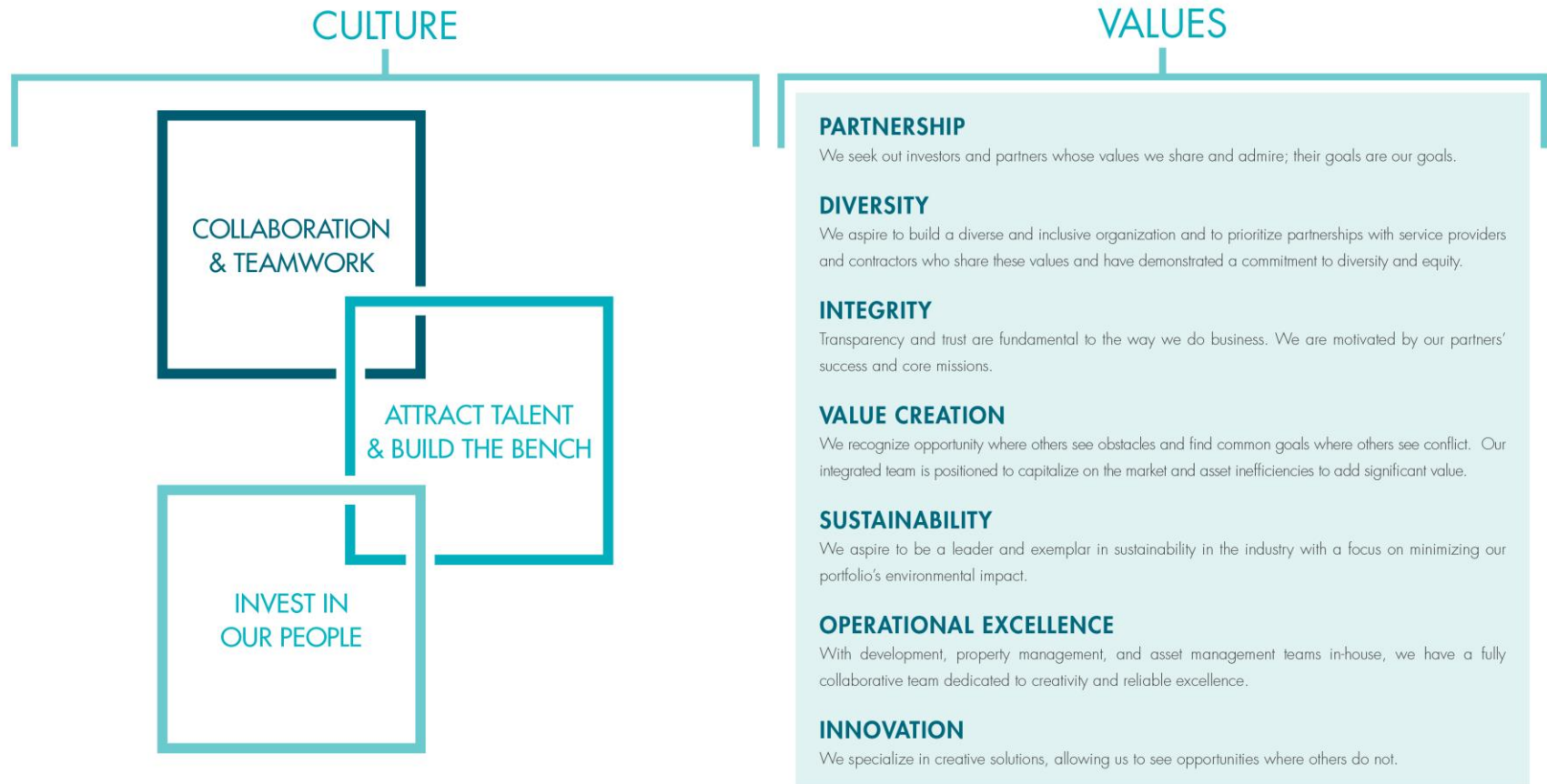
1) Illustrative JV Waterfall: \$87 million of equity invested over a 5-year hold period; 80% contributed by non-fund investor as limited partner and 20% by Fund II as general partner; deal-level 15% gross IRR and 2.0x gross multiple; pari passu to a 9.5% preferred return; 1st promote tier – 70% (LP) / 30% (GP) to a 14% LIRR; 2nd promote tier – 60% (LP) / 40% (GP) to a 17% LIRR; residual split – 50% (LP) / 50% (GP).

2) Fund II as general partner in an asset-level joint-venture. NFI: Non-fund investor as limited partner in an asset-level joint-venture.

3) Unless otherwise indicated, performance numbers are since inception. Past performance is not indicative of future results. All results are gross and do not reflect the customary fees and expenses investors pay when investing in pooled investment vehicles, such as management and performance fees. Please refer to the "Disclaimer" and the "Endnotes to Realized Investments" for important information regarding performance.

4) This example is designed to illustrate how an investment by Fund II in a general partner interest in a real estate joint-venture may enhance the returns achieved by Fund II from such investment as a result of the investment-level promote that could be paid to Fund II as general partner in an asset-level joint-venture. There can be no assurance that Fund II will be able to make investments with the return or other characteristics shown in this example.

Our Culture & Our Values



Leadership Team

The Penzance team of senior professionals has an average of 26 years of real estate investment, operating, and development experience, predominantly within the DC Metro Area

Leadership Team	Title	Years of Experience
Julia Springer Tolkan	Managing Partner and Founder	31
Victor K. Tolkan	Managing Partner and Founder	28
Cristopher J. White	Managing Director, Investments	17
Sean H. Bare	Chief Financial Officer	29
Michael L. Lefkowitz	SVP, General Counsel	26
Richard A. Brookshire	SVP, Portfolio Management & Debt Capital Markets	24
John E. Kusturiss, III	SVP, Development & Construction	16
Peter N. Greenwald	Senior Advisor	36
Average		26

Woman-owned business, supported by approximately 55 additional employees

Acquisitions & Asset Management

Leasing & Property Management

Construction & Development

Fund Management

Finance & Investor Reporting

Fund I

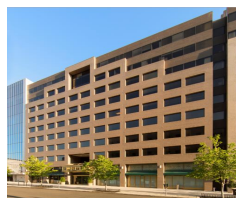
FUND I



Penzance DC Real Estate Fund LP (“Fund I”) is a \$255 million closed-end fund vehicle targeting value-add and development office, multifamily, and mixed-use investments, located in the DC Metro Area

- **Overall Return Target:** 13.5% and 18.0% gross (10.0% and 14.0% net estimate)¹, assuming target leverage between 65% and 70%, through value creation and, in select instances, participation in promotes
- **Value Creation:** Focus on identifying overlooked, complex, or challenged properties where Penzance expects to create value through proactive management and deployment of its multi-disciplinary team
- **Promote-Sharing:** Enhanced return anticipated from select transactions where promotes will be earned from non-Fund institutional joint-ventures (larger transactions and development opportunities)
- **Increased Diversification:** Syndication of larger transactions with non-Fund investors may improve diversification and mitigate large single investment risk

Fund I Investment	Type	Location	Square Feet	Investment Date	Fund Interest
The Highlands	Mixed-Use Development	Arlington, VA	1,183,000	8/20/18	22.55%
50 F Street	Value-Add Office	Washington, DC	212,000	3/26/19	100.00%
Marker 20 ³	Value-Add Office	Herndon, VA	353,000	9/12/19	100.00%
1680 Wisconsin Avenue	Office/Redevelopment	Washington, DC	17,000	1/3/18	100.00%
Colvin Woods	Value-Add Multifamily	Reston, VA	227,000	11/12/19	100.00%
The Mark at Dulles Station	Value-Add Multifamily	Herndon, VA	142,000	12/23/19	100.00%
Total			2,134,000		



1) The IRR target is neither a guarantee nor a prediction/projection of future performance. Please refer to the Disclaimer and the "Endnotes to Realized Investments" at the beginning of this presentation for important information regarding performance.

2) Capital commitments exclude Fund I expense and contingency reserves.

3) Marker 20 formerly known as the Spring Park Portfolio.

Two Early Realizations in Fund I

MARKER 20

2020 Sale: 380 and 400 Herndon Parkway

On March 12, 2020, Fund I sold 380 and 400 Herndon Parkway – two of the ten properties in Marker 20 – for \$16.5 million, generating \$6.2 million of net cash proceeds after partial paydown of the project-level debt. The early realization is expected to have a positive impact on project IRR by approximately 300 bps and has reduced investment risk.



2021 Sale: 460 Springpark Place

On February 23, 2021, Fund I also sold 460 Springpark Place – one of the remaining eight properties in the portfolio – for \$20.375 million. The sale generated net cash proceeds of \$9.1 million after the partial paydown of the Marker 20 – level debt.

This early realization is also expected to have a positive impact on project IRR by approximately 300 bps and reduce investment risk.

Fund II Terms¹

Fund Sponsor / Manager:	Penzance / Penzance Fund Manager LLC
Fund Legal Name:	Penzance DC Real Estate Fund II LP
Investment Objective:	Value-add and development office, multifamily, retail, data center, and industrial investments located in the Washington, DC metropolitan area.
Fund Size:	\$350 million
Targeted Total Return:	IRR between 13.5% and 18.0% gross (10.0% and 14.0% net estimate), ² assuming target leverage between 65% and 70%.
Investment Period:	Earlier of: a) 4 th anniversary after the initial closing (February 14, 2020) b) Such time when 100% of capital commitments have been funded c) Removal of general partner (triggered by Key-Man or No-Fault Termination events)
Term:	10 years, plus two one-year extensions.
Management Fee:	Upon Request
Preferred Return:	Upon Request
Performance Fee:	Upon Request
Waterfall:	Upon Request
Fund as GP / Asset-Level Promote Potential:	Fund II will earn any promote(s) received from third-party joint-venture partners.

1) This presentation of key terms of Fund II is non-binding and for discussion purposes only. The terms of any operative documents may vary from those described in this summary and in the event of any conflict between the terms of this summary and the operative documents, the operative documents shall control.

2) The IRR target is neither a guarantee nor a prediction/projection of future performance.

Fund II Update

17 Investors Are Currently Committed to Fund II

- 13 of 16 Fund I Investors have Re-Upped
 - 1 Remaining Investor From Fund I Still Focused on Re-Upping during this Process
- 4 New Investors Are Committed to Fund II

Initial Investment

- Fund II acquired an 825,000 SF site-plan approved industrial development site on January 22, 2021 for \$8.0 million (\$9.70 PSF).

1) The IRR and Multiple targets are neither a guarantee nor a prediction/projection of future performance. Please refer to the Disclaimer and the "Endnotes to Realized Investments" at the beginning of this presentation for important information regarding performance.

Select Transaction Pipeline¹

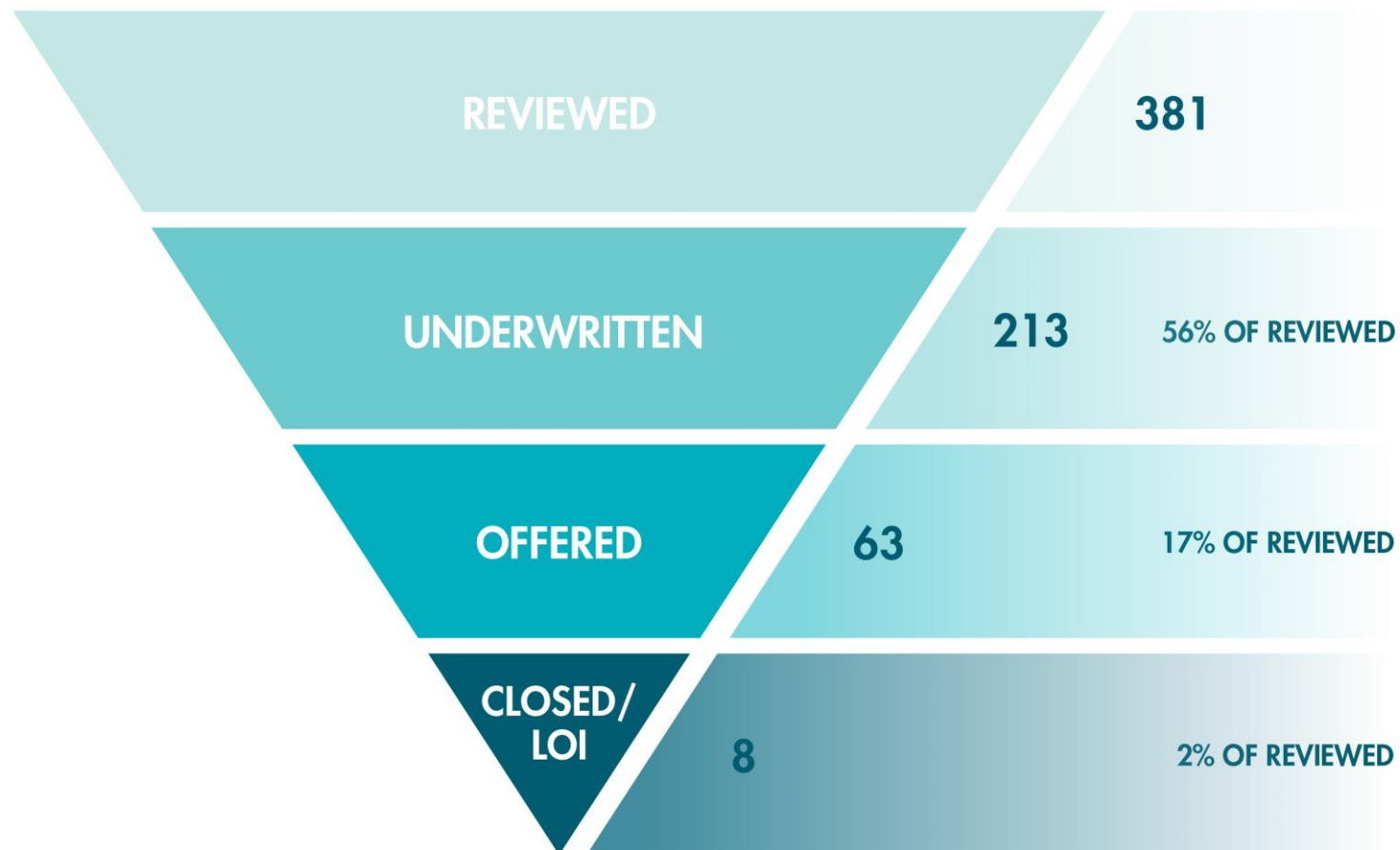
IN DOCUMENTATION	TRACKING
<ul style="list-style-type: none">Industrial/Data Center Development in Northern Virginia	<ul style="list-style-type: none">Hotel CMBS Foreclosure – Potential Conversion to Multifamily
<ul style="list-style-type: none">235 Unit Multifamily Development in NE DC	<ul style="list-style-type: none">Vacant Office Redevelopment to Multifamily
<ul style="list-style-type: none">Distressed Shopping Mall – Mixed-Use Redevelopment	<ul style="list-style-type: none">DC Office Foreclosure – Lender Recapitalization
	<ul style="list-style-type: none">Government Office Property Sale from Distressed Owner
	<ul style="list-style-type: none">500 Unit Multifamily Development in Northern Virginia

1) There can be no assurance that Penzance will complete any potential transactions or realize any opportunities described herein, and there can be no guarantee that such transactions will close into Fund I or II.

FUND I CLOSED DEALS¹

1) The case studies presented are intended solely to provide potential investors with representative information about Penzance's real estate investment experience with Fund I and to provide examples of the types of investments that Penzance intends to target for Fund II. These case studies do not represent a complete list of investments expected to be made by Fund I. The performance results shown in the case studies should not be regarded as indicative of the performance of any fund sponsored by Penzance nor should it be assumed that any of the investment by any fund sponsored by Penzance will be profitable or make comparable investments. In considering the performance results shown, prospective investors should bear in mind the respective timeframes in which this investment was made and its related market conditions, which will differ from those under which any fund sponsored by Penzance may invest. The investments presented were made under favorable economic conditions for investments in office, multifamily, and development product types and there is no guarantee that similar favorable economic conditions will exist while any fund sponsored by Penzance is making and/or realizing investments. Past performance is not indicative of future results. All results are gross and do not reflect the customary fees and expenses investors pay when investing in pooled investment vehicles, such as management and performance fees. Please refer to the "Disclaimer" and the "Endnotes to Realized Investments" for important information regarding performance.

Fund I Deal Statistics¹



1) Represents Fund I deal pipeline from October 1, 2018 to September 30, 2020.

The Highlands

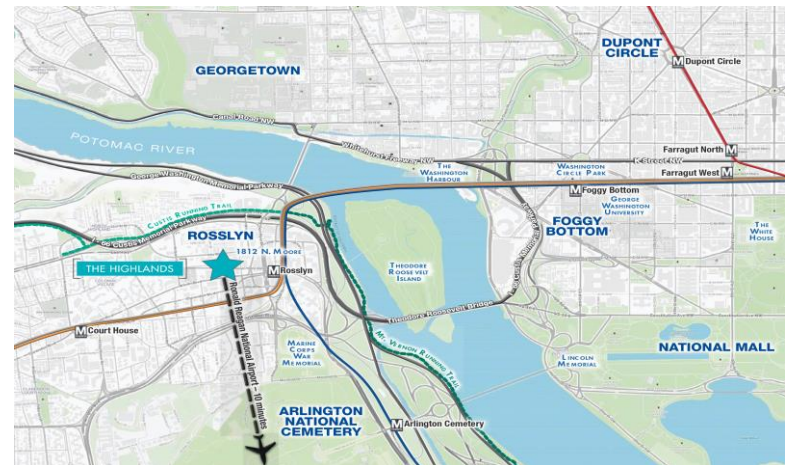
Investment Summary

Investment Date	August 2018
Vehicle	Fund I (22.55% Interest)
Property Type	Mixed-Use/ Development
Location	Arlington, VA / Rosslyn
Square Feet	1,183,110
Project Commencement	August 2018



Development Overview

- The Highlands is a 1,183,110 gross square foot neighborhood-defining mixed-use development project located in the Rosslyn submarket of Arlington, VA.
- Designed as three distinct towers connected by a single below-grade parking structure, the project will contain 786 high-end rental units (714,212 net square feet), 104 luxury condominium units (196,234 net square feet), 22,590 square feet of Class-A retail, and 1,050 parking spaces.



1) Please refer to the "Disclaimer" for important information regarding these underwritten gross returns and the assumptions upon which they are based.

The Highlands



Development Overview (continued)

- The Highlands is a community-focused project that will also redevelop the local fire station, establish a public park, and integrate other civic amenities to enhance the surrounding neighborhood and foster a strong connection to Rosslyn. Strategically situated on an elevated plateau, it will offer unimpeded views of the DC skyline, proximity to neighborhood amenities, and convenient access to pedestrian, vehicular, and public transportation options, including the Rosslyn metro station located three blocks away.
- Construction commenced in August 2018.

Investment Opportunity

- Fund I (22.55%) invested in The Highlands at the commencement of construction alongside the pre-existing owners Penzance (3.10%) and a capital partner (74.35%).
- Over the prior seven-year period, these owners had acquired and rezoned the land, entered into a public-private partnership with Arlington County, and achieved full building approvals, a guaranteed price contract, and project financing, resulting in a fully-capitalized, shovel-ready project.
- Fund I's investment at this time was made even more attractive by the decreased risk profile, cost basis with no markup for value creation, timing at project commencement, no participation in loan guarantees, and no obligation to pay the promote, benefits that would have been virtually impossible to realize in an unaffiliated transaction.

The Highlands

Project Update

- The Highlands topped-out in September 2020 and is scheduled to be substantially completed by the end of 2021. The project remains on-time and on-budget.
- 15 of the 104 condominium units, including both penthouses, are under contract, substantially at underwriting.



The Highlands

Sustainability Focus

The Highlands in Rosslyn, VA (Arlington County) is a model of sustainable engineering and design with three residential towers at 24, 26, and 27 stories, comprised of 890 living units (786 apartments and 104 condos), a new public park for the community, a build-to-suit fire station, public road, and 1,030 car parking garage, serving the residents as well as the faculty of the adjacent architecturally distinguished public school. Its sustainable design features enhance the livability of the new community, improve the life span of the buildings and lower operating costs. Sustainability features at The Highlands notably include:

- **Extensive green roof coverage:** our design includes lush plantings, flowers, bushes, shrubs, and trees. In addition to the new public park, open to the community, lush plantings surround the buildings on the ground level, 2nd floor terrace, 3rd floor terrace, and throughout the extensive outdoor amenity spaces on the roof of each building.
- **High-efficiency, low flow water fixtures:** our water fixtures use LEED recommended flow rates to help cut down on water waste and reduce energy consumption.
- **LED lighting:** the lighting is almost exclusively energy efficient LED lighting. LED lights use between 25-80% less energy than incandescent bulbs and last up to 25 times longer.
- **High-performance facade systems:** From the windows to the building insulation, air barriers and rainscreens, the building facade systems use top-of-the-line, state-of-the-art products to provide a high level of energy savings while adding appealing architectural detail. The high-performance windows reduce heat generated by sunlight. The air barriers reduce air seepage and water penetration and combined with continuous insulation reduce demand on the HVAC systems, saving energy and significantly reducing operating costs, while improving the tenant experience and the integrity and appeal of the distinctive architectural elements.
- **High efficiency HVAC systems:** Our HVAC systems include VRFs in condo units, water source heat pumps in apartments, high efficiency boilers and cooling towers, and clean natural gas (not diesel) emergency generators.
- **Construction waste recycling:** 75% of all waste generated during construction is recycled.
- **LEED Gold:** LEED is the national standard set by US Green Building Council for certifying that a building has been designed and constructed to the gold standard. We are targeting LEED Gold certification for The Highlands.



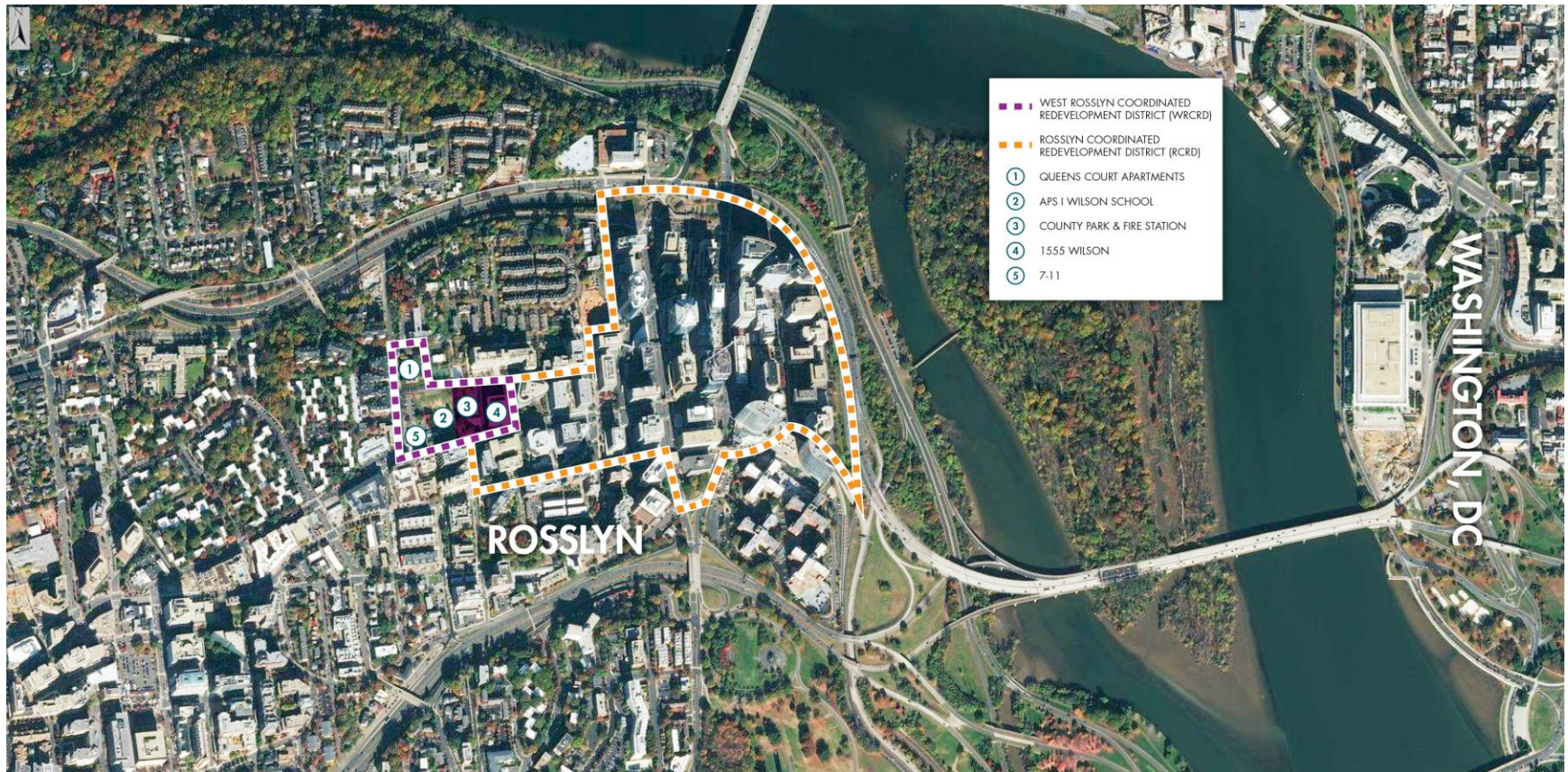
The Highlands

Before



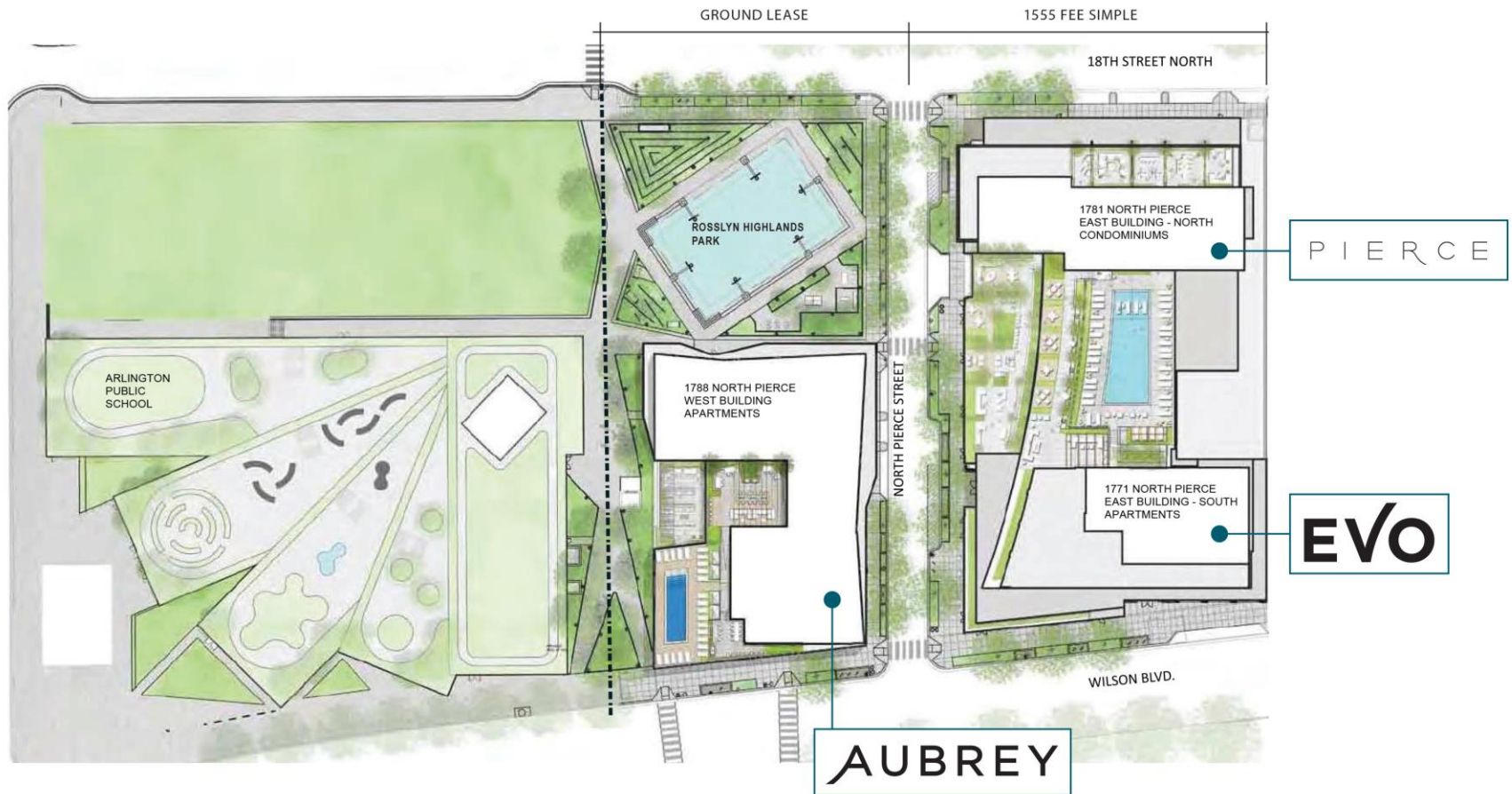
The Highlands

Rezoning Achievement



The Highlands

Site Plan



The Highlands



The Highlands

Rooftop

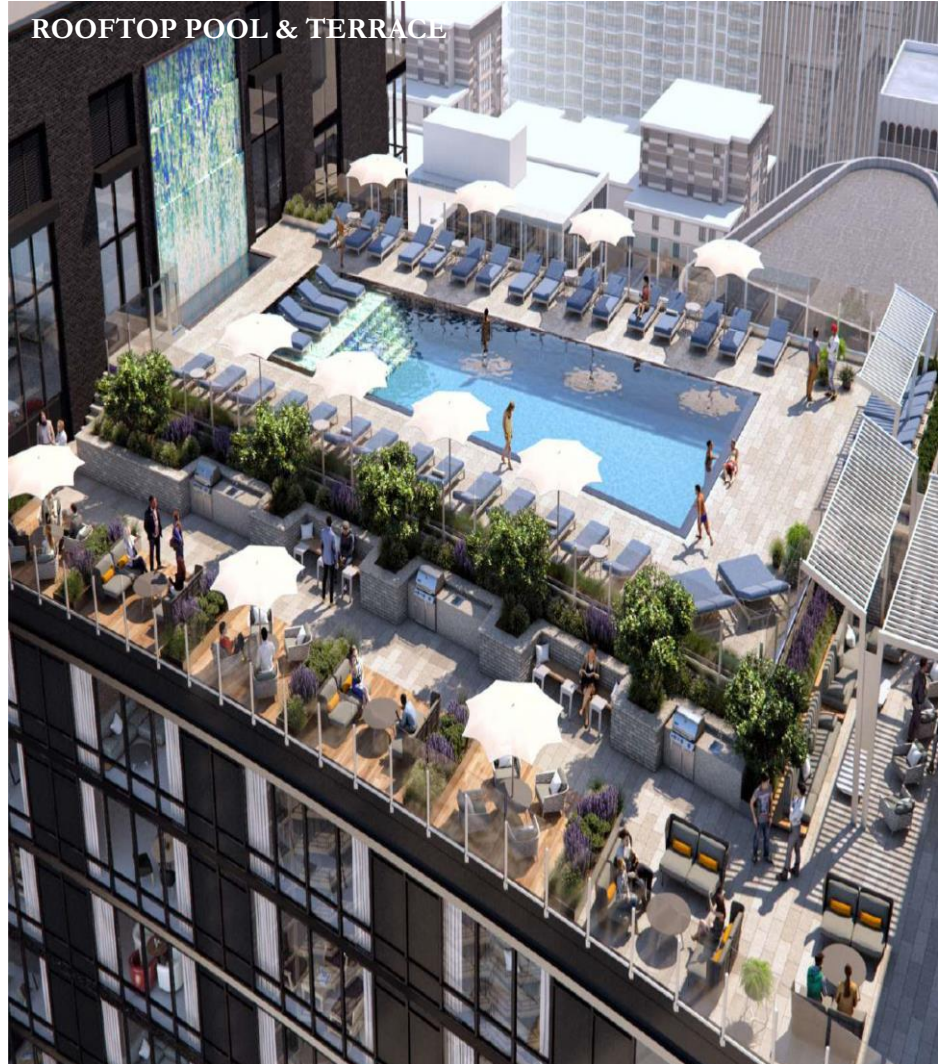


The Highlands

LOBBY



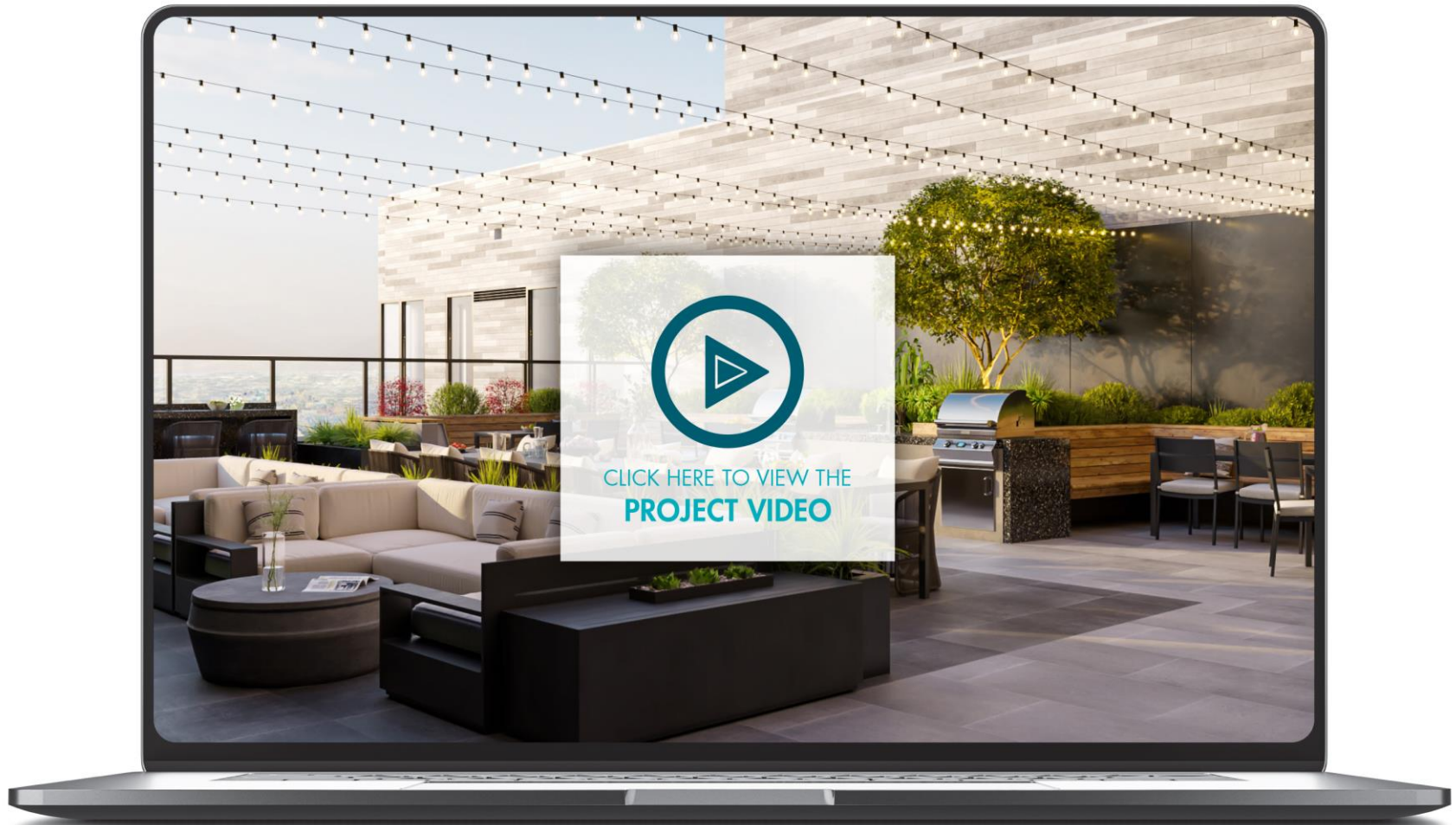
ROOFTOP POOL & TERRACE



APARTMENT KITCHEN



The Highlands



50 F Street

Investment Summary

Investment Date	March 2019
Vehicle	Fund I (100.00% Interest)
Property Type	Office / Value-Add
Location	Washington, DC / Capitol Hill
Square Feet	212,780
Built	1985



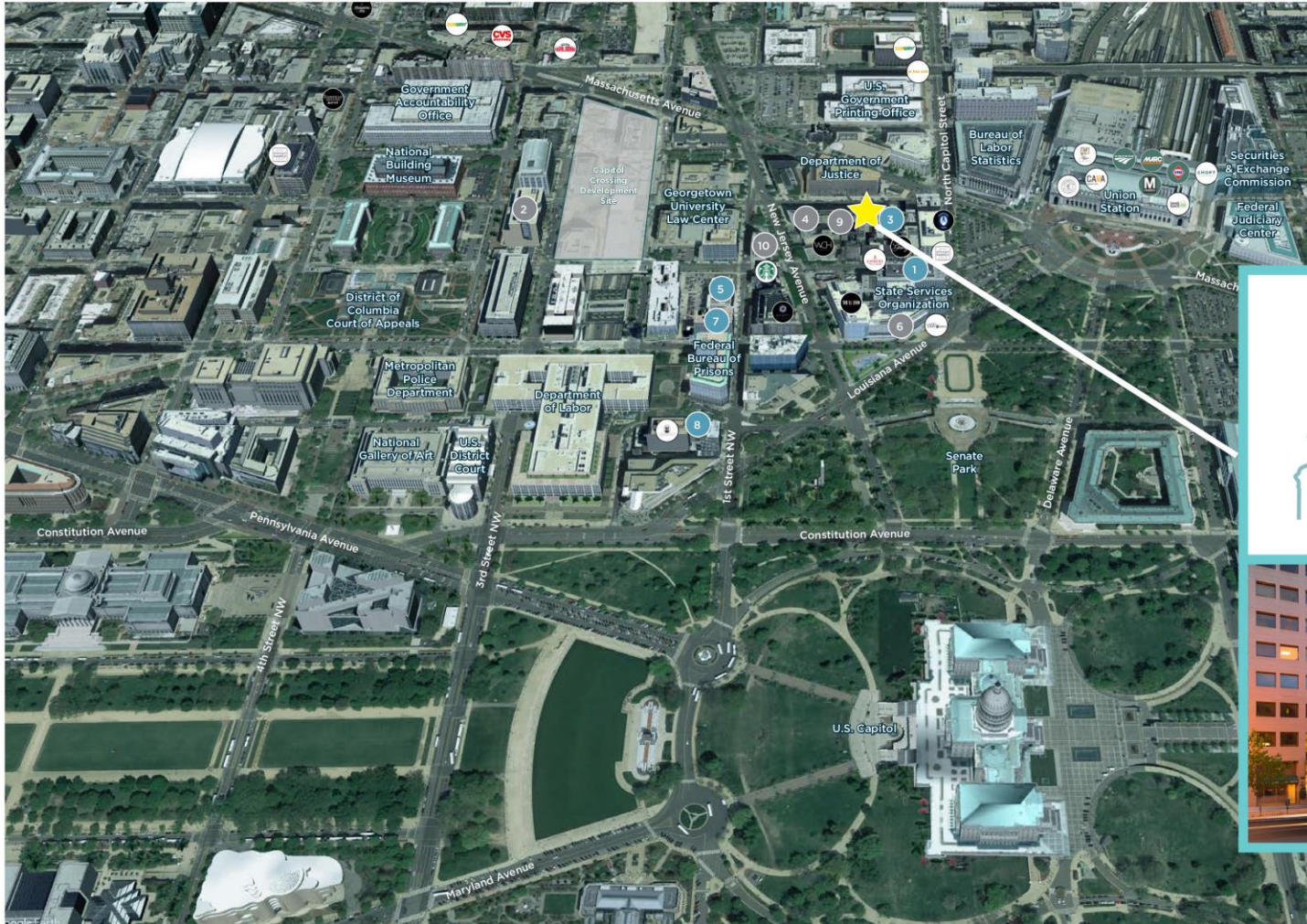
Property Overview

- 50 F Street is a 212,780 square foot office building located in the Capitol Hill submarket of Washington, DC, three blocks from the U.S. Capitol and two blocks from Union Station.
- At the time of investment, the property was 67% leased to 15 tenants with a weighted average lease term of approximately 4.5 years.



1) Please refer to the "Disclaimer" for important information regarding these underwritten gross returns and the assumptions upon which they are based.

50 F Street



50 F Street

Investment Opportunity

- Capitol Hill is one of the tightest office submarkets in the Washington, DC metropolitan area as associations, law firms, and not-for-profits desire proximity to the Capitol. The majority of the office inventory is concentrated in Class A and Class B properties, offering rents at \$60 PSF plus and low-\$50's PSF and below, respectively. Amenitized Class B+ product is limited in the submarket. 50 F Street presents the opportunity to improve the property and meet this tenant demand at a price point – mid-\$50's PSF – below Class A product.
- To achieve this objective, the business plan is to renovate the building, including upgrades to the main lobby, retail storefronts, elevators and elevator lobbies, bathrooms, and amenities, in order to retain existing tenants and attract new tenants, thus increasing occupancy and net operating income.
- In addition, Penzance will capitalize on the prior owner's lack of vertically-integrated capabilities and local market contacts to execute a dynamic value-add business plan and improve this operations-intensive property.

Now



Before



50 F Street



Before



Now



50 F Street



Project Update

- De-risked rent roll by increasing weighted average lease term from 3.5 years at acquisition to 7.0 years as September 30, 2020. Two major tenant renewals: NCFC/FCC for 14 years (approximately 19,000 square feet) and Sierra Club for 11 years (approximately 19,000 square feet).
- Renovation of the lobby, retail storefronts, and lower-level amenities and construction of the pre-built suites have been completed. Elevator modernization, façade and roof repairs, and new roof common area are scheduled to be completed by April 2021.

50 F Street



50 F Street

CURRENT



RENDERINGS



50 F Street



Marker 20

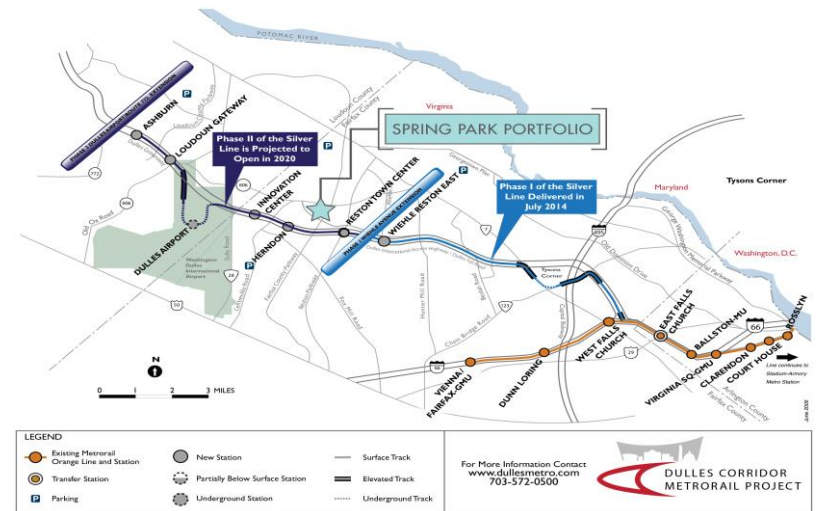
Investment Summary

Investment Date	September 2019
Vehicle	Fund I (100.00% Interest)
Property Type	Office / Value-Add
Location	Herndon, VA
Square Feet	422,083
Built	1984-1986



Property Overview

- At acquisition, Marker 20 (formerly known as the Spring Park Portfolio) was ten, single-story office buildings totaling 422,083 square feet located in Herndon, Virginia, adjacent to the Dulles Toll Road and Fairfax County Parkway between Reston Town Center and Dulles International Airport, and less than a mile from the future Herndon Silver Line Metro Station.
- At the time of investment, the portfolio was 80% leased to 18 tenants with a weighted average lease term of approximately 4.9 years.



1) Please refer to the "Disclaimer" for important information regarding these underwritten gross returns and the assumptions upon which they are based.

Marker 20

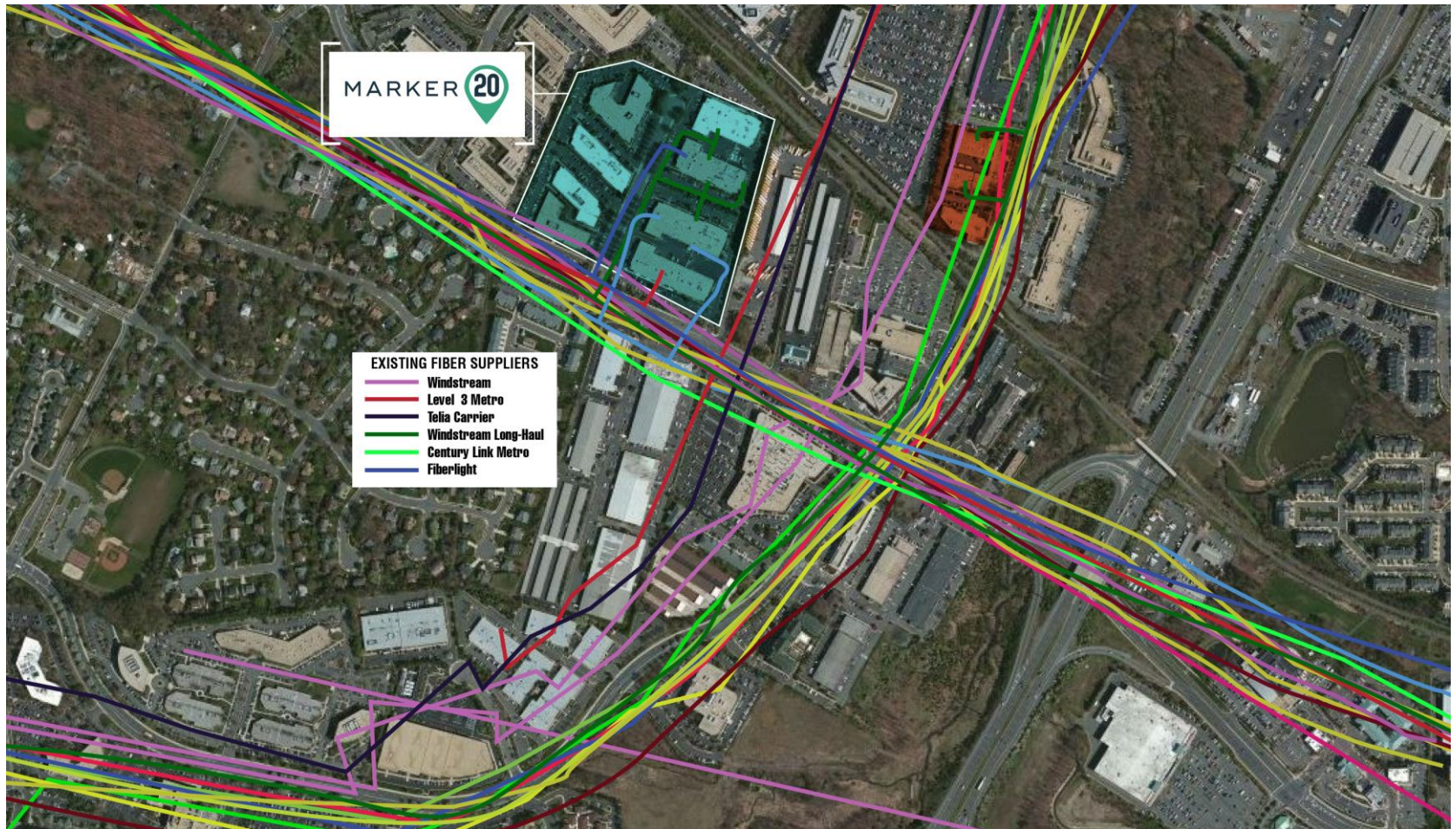


Marker 20

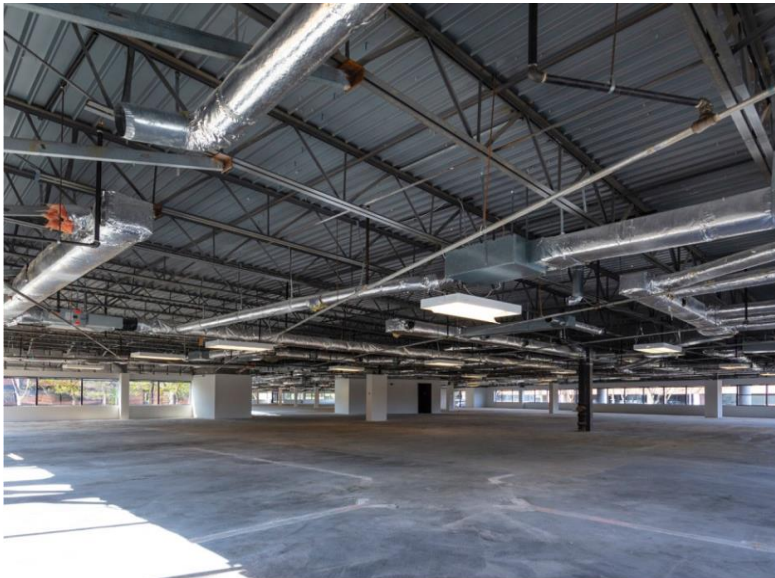


Marker 20

Multiple Fiber Suppliers



Marker 20



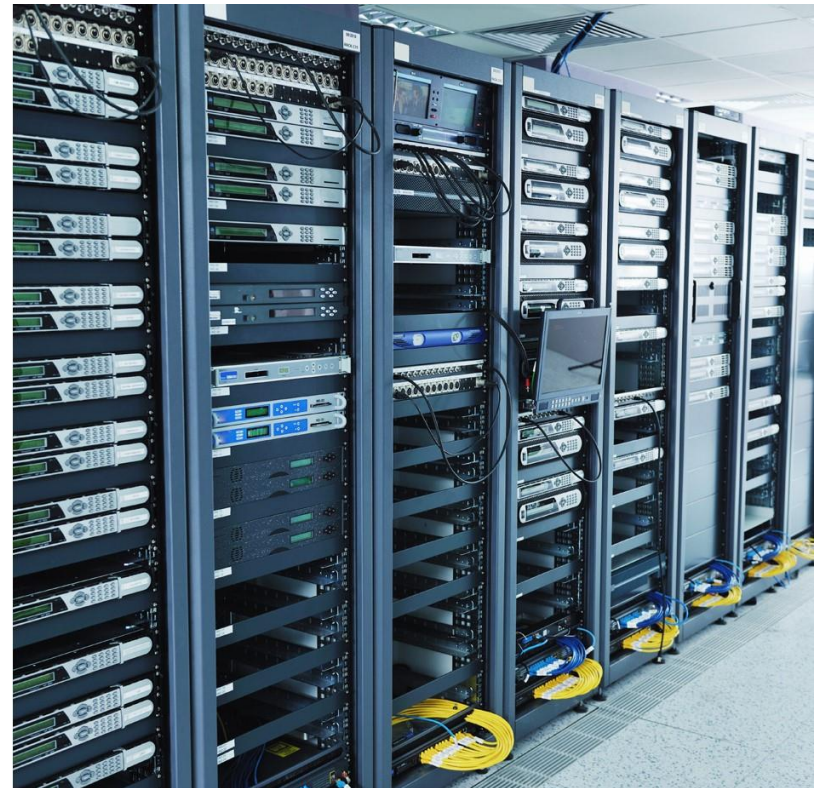
Investment Opportunity

- The Reston/Herndon submarket has benefited significantly from increased defense spending, unparalleled fiber connectivity, the Amazon Web Services East Coast Headquarters (opened in 2017), and the Metro Silver Line (phase I delivered in 2014, phase II delivery expected 2021).
- At the same time, multifamily and townhome development across the submarket has experienced record-breaking demand. The resulting increase in land values has removed inventory from the single-story office market for residential development (competing supply down 7% since 2017 and 21% of competing inventory is rezoned or pursuing new zoning for redevelopment to other uses). Thus, decreasing vacancy in a product segment that offers compelling occupancy solutions for area office users: competitive cost option for secure facility footprint, rooftop control, and low core factors.
- The investment is expected to capitalize on the delta in rents between the overall Reston/Herndon office market and this single-story product by performing select renovations to position the portfolio as a differentiated, amenitized, and creative office park. Furthermore, the portfolio of ten buildings provides the Fund with significant optionality for exit, through a single or series of managed transactions.
- To achieve this objective, the business plan is to enhance existing amenities and introduce new ones, with the objective of increasing leasing velocity and occupancy by targeting cost-conscious tenants who value the amenities and the single-story space configuration.

Marker 20

Investment Opportunity (continued)

- In addition, Penzance will capitalize on the prior owner's lack of vertically-integrated capabilities and inferior local market contacts to execute a dynamic value-add business plan and improve this operations-intensive property.



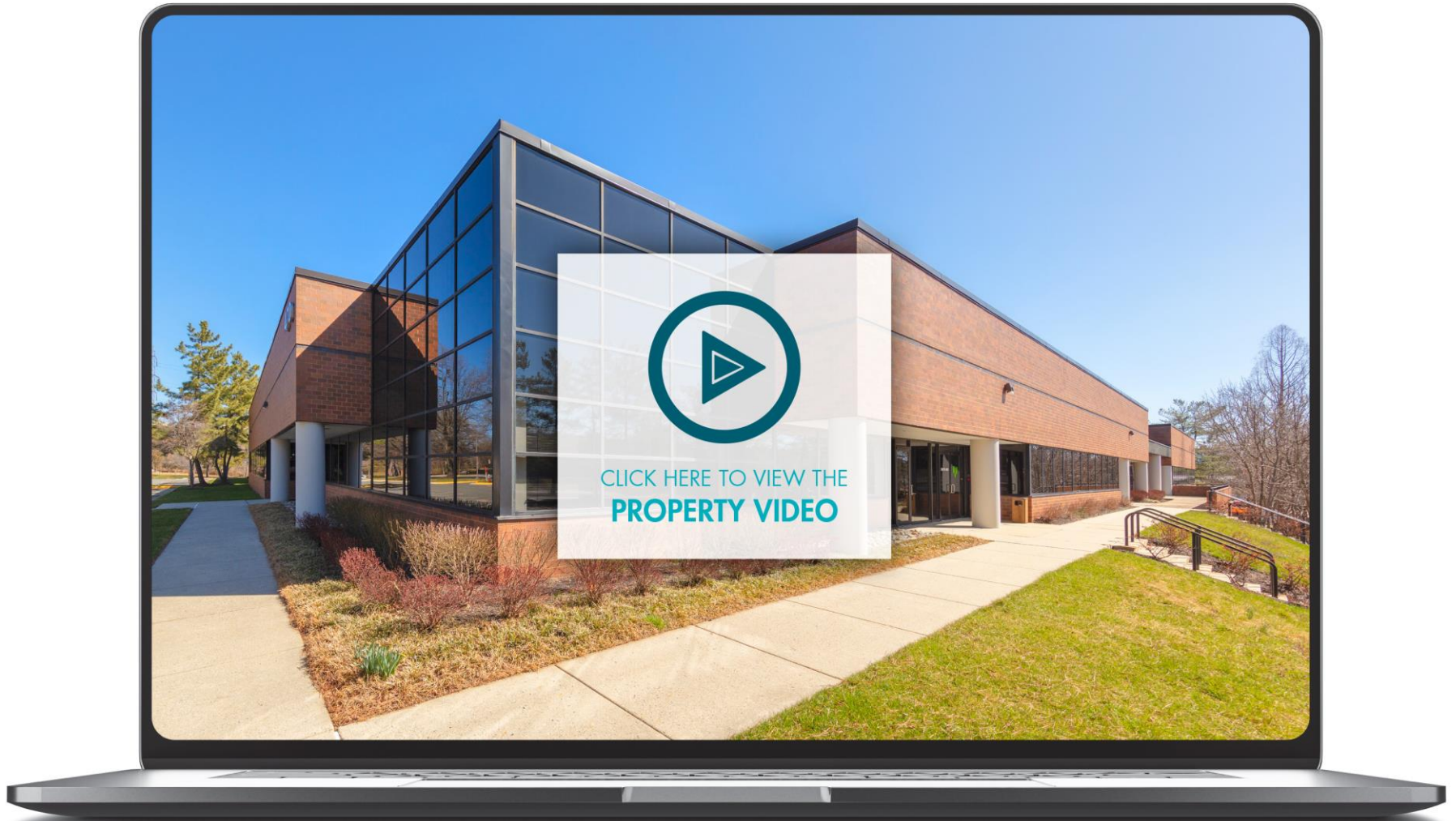
Marker 20

Project Update

- On March 12, 2020, Fund I sold 380 and 400 Herndon Parkway – two of the ten properties in Marker 20 – for \$16.5 million, generating \$6.2 million of net cash proceeds after partial paydown of the project-level debt. The early realization is expected to have a positive impact on project IRR by approximately 300 bps and has reduced investment risk.
- Fund I is also under contract to sell 460 Springpark Place – one of the remaining eight properties in the portfolio – for \$20.375 million. The contract purchaser has funded a non-refundable deposit. Closing is expected to occur in the first quarter of 2021 when the requisite subdivision is achieved to separate the parcel from the existing portfolio. This early realization is also expected to have a positive impact on project IRR by approximately 300 bps and reduce investment risk.



Marker 20



1680 Wisconsin Avenue

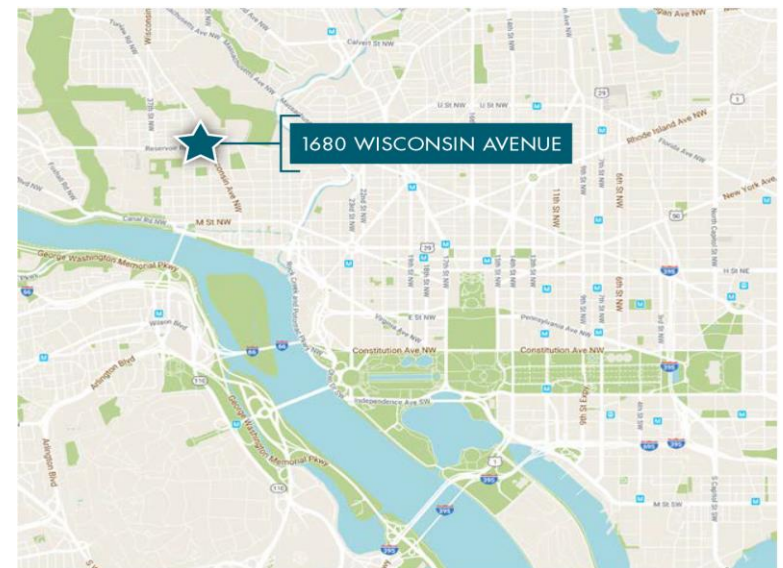
Investment Summary

Investment Date	January 2018
Vehicle	Fund I (100.00% Interest)
Property Type	Office / Redevelopment
Location	Washington, DC / Georgetown
Square Feet	17,398
Built	1957



Property Overview

- 1680 Wisconsin Avenue is a 3-story, 17,398 square foot office building situated in the highly desirable Georgetown submarket of Washington, DC.
- At acquisition, the property was 100% leased to four tenants: Long & Foster Real Estate (7,688 SF), Penzance Management (5,626 SF), Invisa Logistics Services (3,825 SF), and Georgetown Village (259 SF).



1) Please refer to the "Disclaimer" for important information regarding these underwritten gross returns and the assumptions upon which they are based.

1680 Wisconsin Avenue

Investment Opportunity

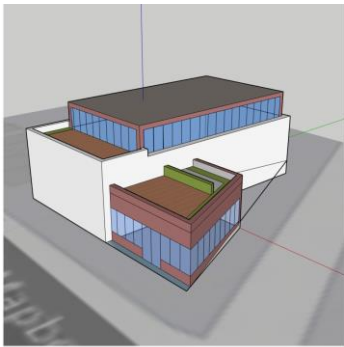
- 1680 Wisconsin Avenue is situated on 15,488 square feet of land, which is primarily zoned MU-4. This permits by-right density up to 2.5 FAR for the potential of up to 35,000 GFA of residential use, though the design and building height of any such redevelopment would be subject to approval of the Commission of Fine Arts (CFA), which acts upon the recommendation of its advisory committee, the Old Georgetown Board.



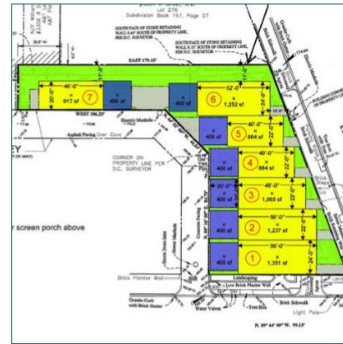
1680 Wisconsin Avenue



CONDO POTENTIAL



OFFICE ADDITIONAL DENSITY



TOWNHOME POTENTIAL

Investment Opportunity (continued)

- Fund I is evaluating various redevelopment options, including luxury condominiums, high-end townhomes, or expansion of the existing office building to include an office penthouse level.
- In addition, Penzance will capitalize on its development expertise and local market contacts to navigate any approval process and redevelopment of the project.

Colvin Woods

Investment Summary

Investment Date	November 2019
Vehicle	Fund I (100.00% Interest)
Property Type	Multifamily / Value-Add
Location	Reston, VA
Units / Square Feet	259 / 227,000
Built	1979



Property Overview

- Colvin Woods is a 259-unit garden style multifamily property situated on 49 acres located in Reston, VA, two miles from the Wiehle-Reston Metro Station (Silver Line) and 10 miles from the Dulles International Airport.
- The community contains various resident amenities, including a swimming pool, grilling area, business center, dog park, clubhouse, and playground, as well as tennis courts and storage facilities.



1) Please refer to the "Disclaimer" for important information regarding these underwritten gross returns and the assumptions upon which they are based.

Colvin Woods

Investment Opportunity

- Fairfax County has a 2.5% unemployment rate, one of the lowest in the U.S., and the Reston/Herndon submarket is set to continue to be a beneficiary of employment growth as a result of the continued expansion of the cloud-based software and defense industries.
- In addition, average household income within a one-mile radius of the property is \$116,000 per year, supporting monthly rents of \$2,900 based on a standard affordability ratio of 30% of income. The property currently averages two-bedroom rents that are far less: \$1,520 per month for original finish units and \$1,620 per month for standard finish units.
- Based on comparable upgraded properties, it is expected residents will pay higher rents for Colvin Woods if capital enhancements are made. For example, all 259 units provide the opportunity to be enhanced with modern finishes and achieve a \$75 to \$150 per month rent premium. These enhancements will competitively position the property, but such pricing will still maintain it as one of the most affordable apartment communities in the submarket.
- In addition, Fund I has the opportunity to add value by entitling approximately nine acres of underutilized land that has the potential to yield approximately 20 townhome or single-family home lots.

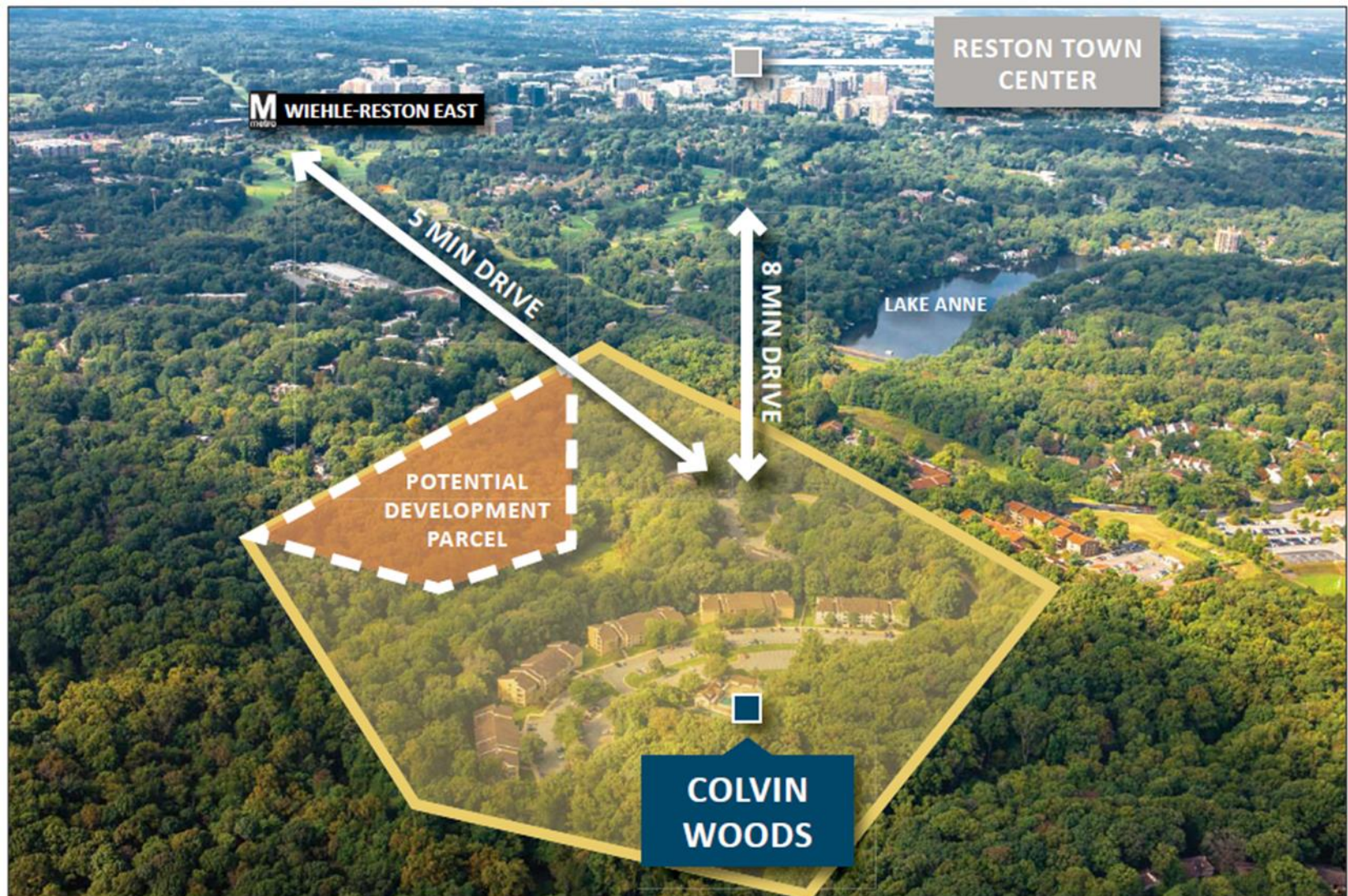
Leasing Office



Pool and Sun Deck



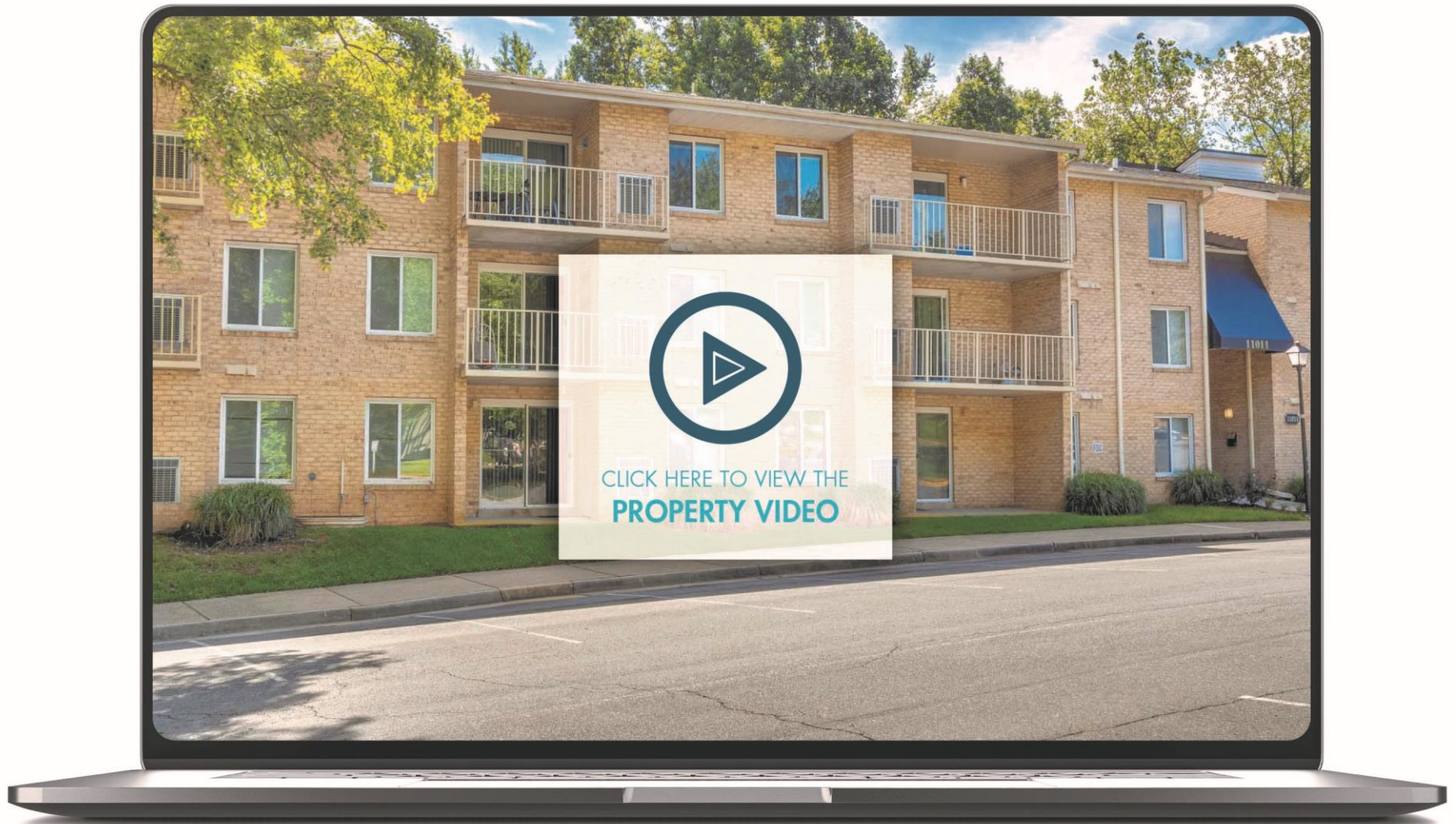
Colvin Woods



Colvin Woods



Colvin Woods



The Mark at Dulles Station

Investment Summary

Investment Date	December 2019
Vehicle	Fund I (100.00% Interest)
Property Type	Multifamily / Value-Add
Location	Herndon, VA
Units / Square Feet	169 units / 142,000
Built	2007



Property Overview

- The Mark at Dulles Station is a 169-unit mid-rise multifamily asset with 16,450 square feet of ground-floor retail located in Herndon, VA.
- The Innovation Center Metro Station, projected to open in 2021, is in close proximity to the property and will be a significant transportation asset to the community.
- Originally constructed in 2007 as for-sale condominiums, The Mark at Dulles Station features certain superior finishes: 10-12 foot ceiling heights, full-sized in-unit washer and dryers, and high-end kitchen finishes.



1) Please refer to the "Disclaimer" for important information regarding these underwritten gross returns and the assumptions upon which they are based.

The Mark at Dulles Station



The Mark at Dulles Station

Property Overview (continued)

- At acquisition, the property dedicated 50 of its 169 units to corporate rental users who paid 65% to 85% above-market for flexible term and additional services, such as furnished units, housekeeping, daily continental breakfast service, and dedicated on-site car rental.

Investment Opportunity

- The Mark at Dulles Station is situated less than a five-minute walk from the entrance of the Innovation Center Metro Station and is expected to experience significant rent growth once the station opens in 2021.
- This thesis is based on a similar bump in rents that occurred for multifamily properties located near the Wiehle-Reston Station – one stop away – when it opened in 2014. Today, those properties average a \$0.70 PSF premium to The Mark at Dulles Station. It is expected a similar rent premium could be achieved at the property once the Innovation Center Metro Station is opened.
- The project is located on the border of Fairfax and Loudoun County – two of the three wealthiest counties in the nation – where average annual income exceeds \$100,000. This level should service the anticipated rent growth projected for the property after the station opens.



The Mark at Dulles Station

Investment Opportunity (continued)

- In addition, the property, effectively new product, has limited deferred maintenance exposure, but will benefit from targeted upgrades, including the installation of faux wood flooring in the units and common area enhancements, to drive rent growth.
- Finally, the corporate unit program at The Mark at Dulles Station provided unique revenue enhancement for the investment relative to market rate product. In addition, the program provided revenue lift optionality as the anticipated market rent growth and timing plays out after the Innovation Center Metro Station opening. However, the investment does not depend on this as a continued revenue source, because the program had been assumed to phase-out by year three of the underwriting.



The Mark at Dulles Station



Project Update

- With the onset of the pandemic, most of the corporate users vacated their units and occupancy decreased from 88% to 71%. The property pivoted to a market rate lease-up and occupancy increased to 94% within six months.
- \$550,000 per year of operating expenses have been reduced from prior ownership due to efficiency gains and elimination of costs related to the corporate user program.



The Mark at Dulles Station



The Mark at Dulles Station



Fund II Acquisition - Taylor Farm

Investment Summary

Investment Name	Taylor Farm
Closing Date	January 22, 2021
Vehicle	Fund II
Property Type	Land Acquisition/Industrial Development
Location	Williamsport, MD
Square Feet	825,000
Estimated Construction Schedule	Q3 2021 – Q3 2022

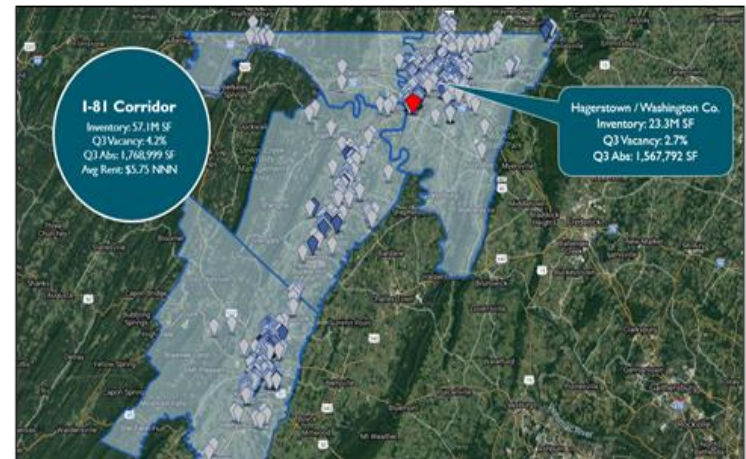


Investment Opportunity

- Taylor Farm is a fully-entitled industrial development site one mile from the intersection of I-81 and I-70 in the Hagerstown logistics micro market of Williamsport, MD.
- The I-81 corridor provides freight trucking with reach to over 50% of the U.S. population within an overnight drive.
- The Hagerstown logistics micro market has a vacancy rate of 2.7% as of Q3 2020 and is home to national distribution centers, including Amazon, FedEx, Home Depot, and UPS.
- The investment provides Fund II with the opportunity to capitalize on the long-term increase in demand for e-commerce and logistics distribution space driven in part by the change in shopping habits and the repatriation of supply chains, which has accelerated since the Pandemic.

Investment Highlights

- Fund II acquired the site on January 22, 2021 for \$8.0 million (\$9.70 PSF).
- The fully-entitled site mitigates zoning risk and Penzance is seeking to secure a lump-sum, design-build contract prior to site acquisition to reduce construction risk.
- The 825,000 SF site-plan approved development will feature approximately 36-foot clear height, 492 parking spaces, 217 trailer drops, and up to 160 dock doors.



1) The IRR and Multiple targets are neither a guarantee nor a prediction/projection of future performance. Please refer to the Disclaimer and the "Endnotes to Realized Investments" at the beginning of this presentation for important information regarding performance.

DC
MARKET

Size of the DC Metro Area Market

DC Metro Area is the 6th Largest Metro Region in the U.S. by Population

POPULATION
OVER 6M

Source: Delta

OVER 430K
APT UNITS

Source: Delta

340M SF OF
OFFICE

Source: Delta

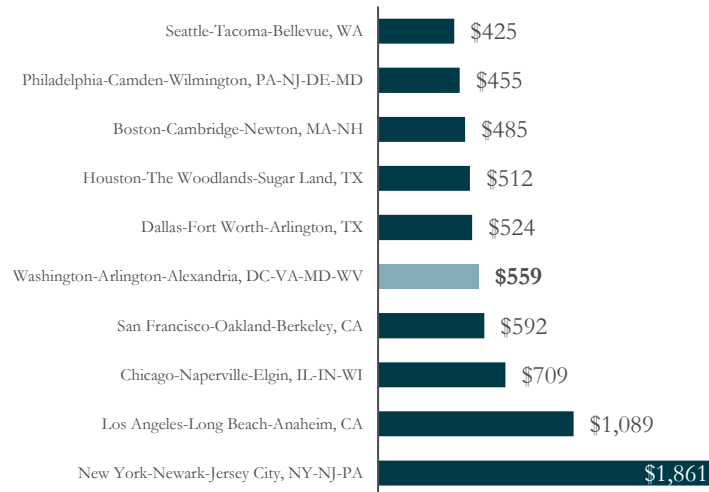
GROWING
INDUSTRIAL
FOOTPRINT

Source: Delta

LARGEST
DATA
CENTER
MARKET IN
THE WORLD

Source: JLL

Largest U.S. Metro Areas by GDP (Billions)



Source: 2019 Bureau of Economic Analysis

Major Employers



Demographics

DC METRO AREA MEDIAN HOUSEHOLD INCOME: \$105,569

U.S. MEDIAN HOUSEHOLD INCOME: \$65,712

Source: U.S. Census Bureau

51.4% OF DC METRO AREA HAS A BACHELOR'S DEGREE OR HIGHER

33.1% OF U.S. POPULATION HAS A BACHELOR'S DEGREE OR HIGHER

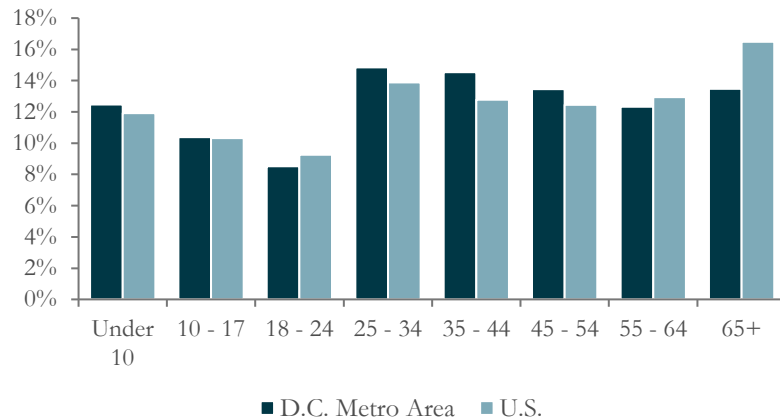
Source: U.S. Census Bureau

26 UNIVERSITIES IN THE DC METRO AREA EMPLOY 58K PEOPLE AND
EARN OVER \$6 BILLION EACH YEAR IN REVENUE

17 FORTUNE 500 COMPANIES IN THE DC METRO AREA

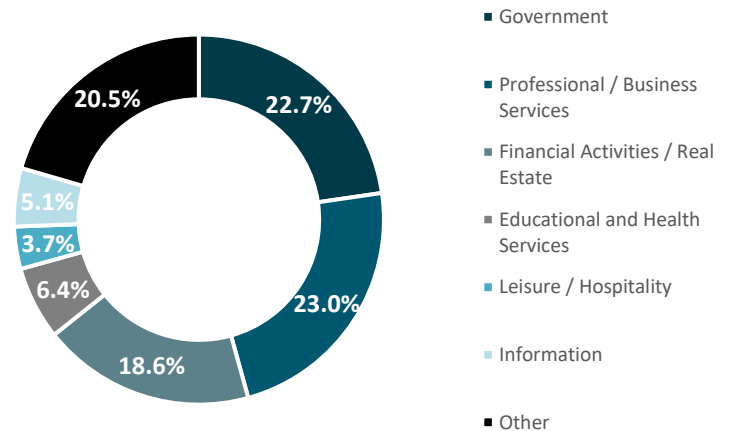
2019 DC METRO AREA VS. U.S. POPULATION BY AGE CATEGORY

43% of the 25-54 age bracket in the DC Metro Area, vs 39% of the U.S.,
drives implications for housing needs and economic productivity.



Source: U.S. Census Bureau

DC METRO AREA GDP



Source: Delta

Employment Strength

ONE OF THE MOST STABLE METRO REGIONS IN THE COUNTRY DURING THE PANDEMIC; PEAK UNEMPLOYMENT UNDER 10% COMPARED TO 14.7% NATIONALLY

Source: U.S. Bureau of Labor Statistics

PRIOR TO 2020, THE REGION HAD ONE OF THE *LOWEST* UNEMPLOYMENT RATES IN THE COUNTRY AT 2.8%

Source: U.S. Bureau of Labor Statistics

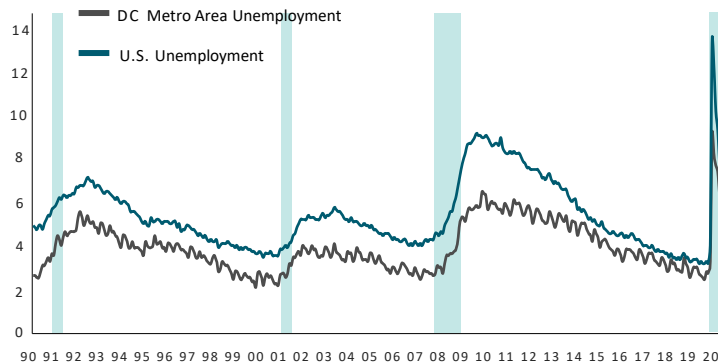
ADDED AN AVERAGE OF 41K JOBS YOY OVER LAST 20 YEARS

Source: U.S. Bureau of Labor Statistics

AS OF OCTOBER 2020, UNEMPLOYMENT IS 6.5%

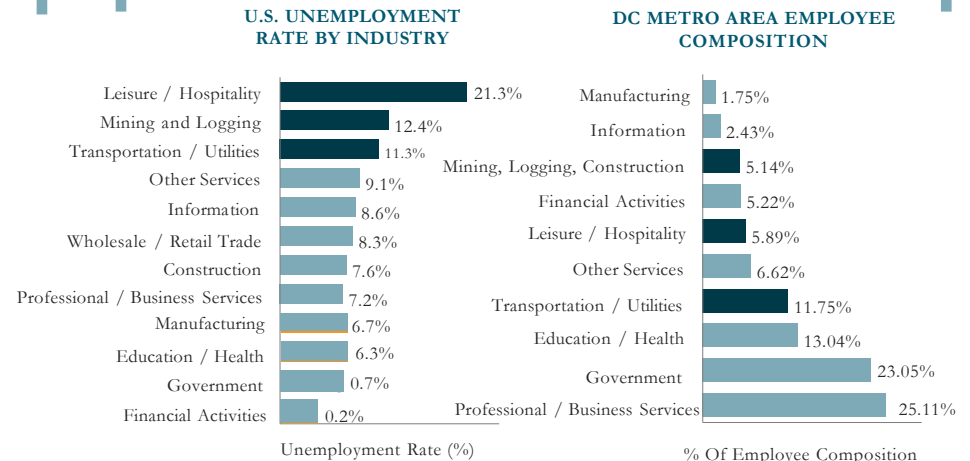
Source: U.S. Bureau of Labor Statistics

DC METRO AREA VS. U.S. UNEMPLOYMENT RATE & RECESSIONS



Source: Delta

THREE HARDEST HIT INDUSTRIES MAKE UP ONLY 22% OF DC METRO AREA WORKFORCE, COMPARED TO 30% OF JOBS NATIONWIDE



Source: JLL

DC Resiliency

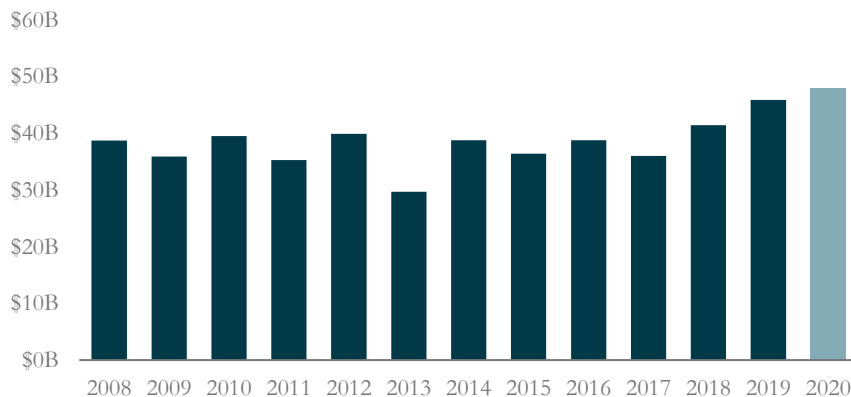
REBOUNDED FROM THE LAST DOWNTURN, THE DC METRO AREA WAS RANKED BY DELTA AS THE 2ND MOST RESILIENT MARKET BASED ON GDP AND JOB GROWTH FROM 2007 TO 2010.

2 OF THE 3 LARGEST CONTRACTS AWARDED THROUGH THE FEDERAL GOVERNMENT'S OPERATION WARP SPEED WERE AWARDED TO SUBURBAN MARYLAND PHARMACEUTICAL COMPANIES. (JLL)

MULTIFAMILY RENT GROWTH OF 4.9% IN 2010 MOVED RENTS HIGHER THAN PRE-GREAT FINANCIAL CRISIS LEVELS.

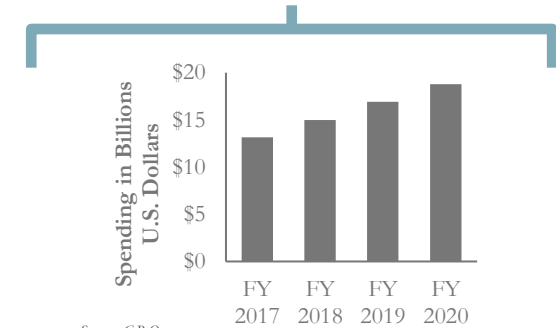
DC METRO AREA GOVERNMENT CONTRACT AWARDS HIT A RECORD HIGH YOY, DRIVEN BY SUSTAINED DEFENSE SPENDING AND COVID-19 STIMULUS EFFORTS

January to June Government Contract Awards by Year



Source: JLL

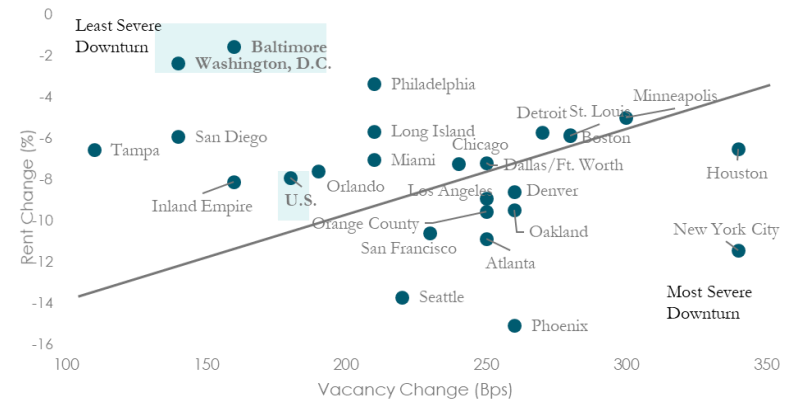
BUDGET OF THE U.S. GOVERNMENT FOR CYBER SECURITY IN FY 2017 TO 2020



Source: C.B.O

IN 2008, DC METRO AREA MULTIFAMILY ASKING RENT FELL BY 2.3%, THE 2ND SMALLEST DROP OUT OF THE LARGEST 25 METROS IN THE U.S.

DC Metro Area Multifamily Vacancy & Rent Change During Last Downturn



Diversification

DC Metro Area is more than just a “Government Town”

Microsoft leased 400,000 SF of office space in Reston, VA in May 2020 and an additional 180,000 SF in Rosslyn, VA in December 2020. Their goal is to establish a new technology hub.

Microsoft leased 400,000 SF of office space
Amazon's HQ2 Phase I will deliver a 2.1M SF complex to house just half of the 25,000 employees Amazon plans to bring to the area.
new technology hub.

Microsoft leased 400,000 SF of office space
Ashburn, VA is the 'home of the internet' with approximately 70% of the world's internet flowing through communication lines in that region.
December 2020. Their goal is to establish a new technology hub.

Private sector companies with large footprints in the DC Metro Area:



Data center real estate has commanded attention during the pandemic due to the massive surge in at-home internet use. The DC Metro Area industrial market is expanding, both to serve the local market but also to transport goods up and down the heavily populated East Coast.

Investment Activity

DC Metro Area sales activity has fallen significantly less than other major metros during the Pandemic.

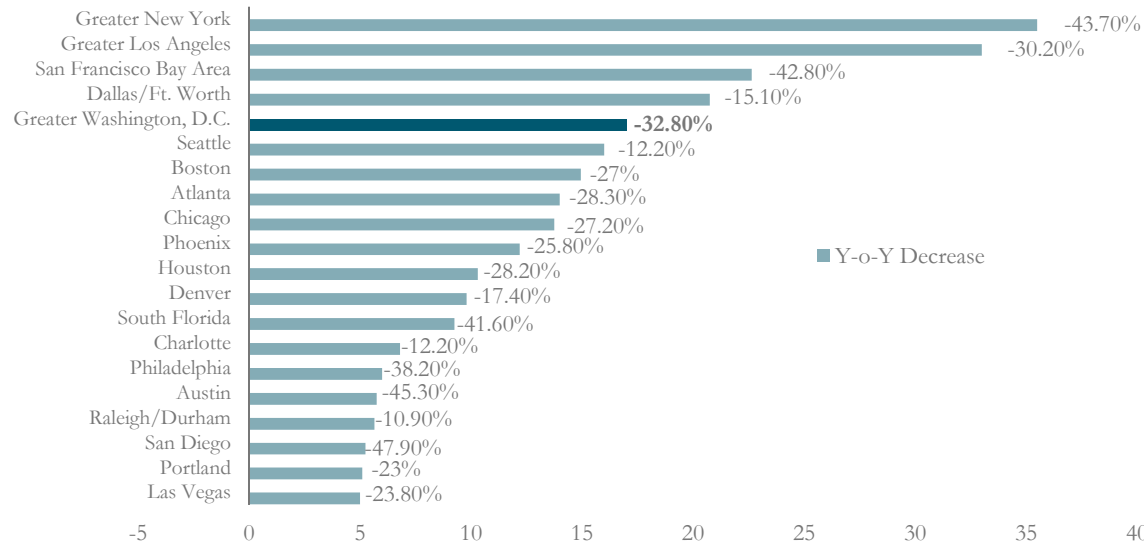
Metro regions across the U.S. experienced a plummet in investment activity brought on by the Pandemic.

International investors continue to see DC Metro Area as a stable investment market with solid growth potential.

As the economy returns to growth mode, DC Metro Area stability tends to attract outsized investor appetite and real estate values tend to increase faster than other markets.

TOP 20 MARKETS FOR TOTAL INVESTMENT VOLUME – YEAR ENDING Q3 2020

In 3Q20 after the onset of the Pandemic, the DC Metro Area was a top 5 market for investment volume. The YOY reduction in volume was also significantly less than other major markets, like New York and San Francisco.



Source: CBRE & CoStar

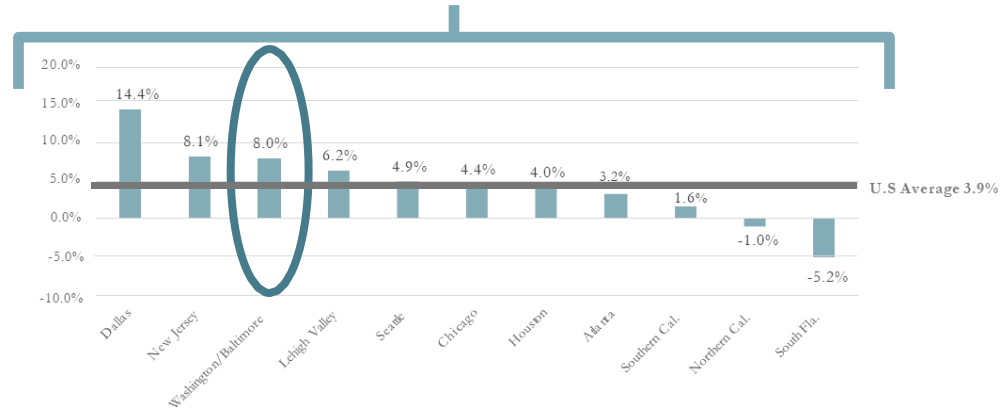
Investment Volume (\$ Billions)

Industrial Market

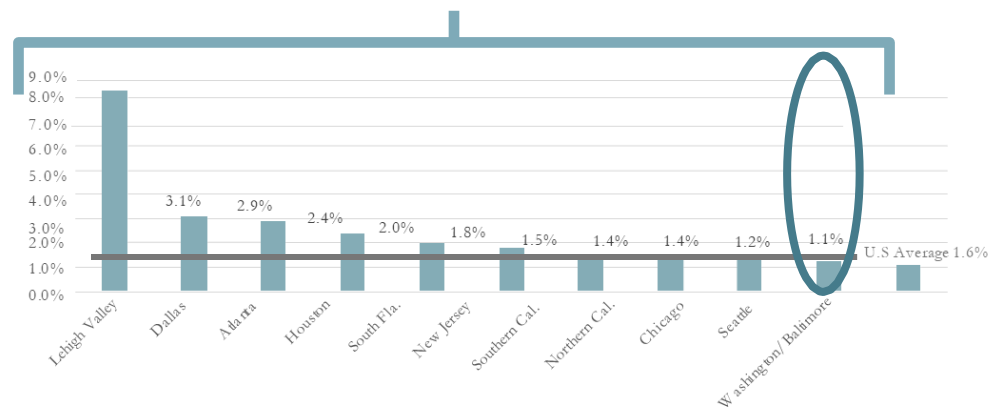
GROWING DEMAND / LIMITED SUPPLY

2Q 2020	Total Inventory 444 Million SF
2Q 2020	Under Construction 4.9 Million SF (1.1% of total inventory)
2Q 2020	Direct Vacancy 7.4%
TTM June 2020	Annual Rent Growth 8.0%
TTM June 2020	Annual Net Absorption 3.5 Million SF (0.8% of total inventory)
TTM June 2020	Asking Rent \$8.33 PSF

T-12 JUNE 2020 ANNUAL RENT GROWTH IN 11 LARGEST INDUSTRIAL MARKETS



2Q FORWARD DELIVERIES AS PERCENTAGE OF INVENTORY IN 11 LARGEST INDUSTRIAL MARKETS

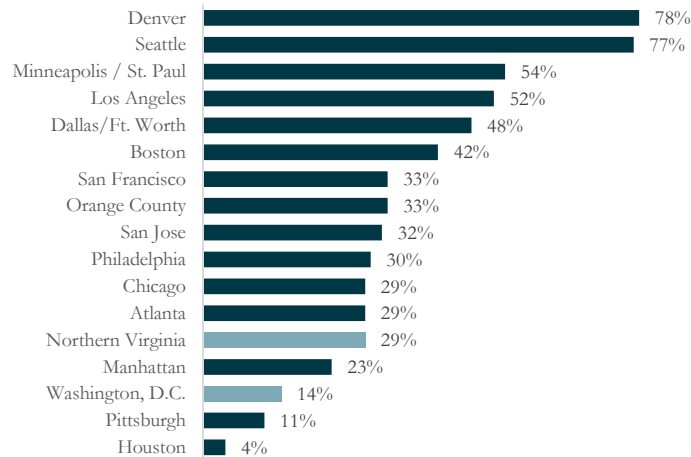


Office Market

DC Metro Area Experiencing Less Sublease Activity Than Other Markets

Majority of Workers Want To Be In The Office The Majority Of The Week

SUBLEASE NATIONAL COMPARISON (MARCH TO AUGUST 2020)

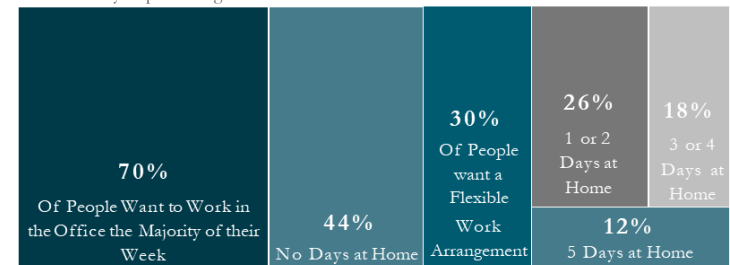


Source: CBRE

WORK FROM HOME SURVEY

Only 12% of U.S. workers want to work from home full-time. Most want to return to the workplace, but with critical changes.

Do you prefer to go back to the office or continue to work from home?



- Younger generations are less productive at home and less satisfied with the work-from-home experience.
- People expect to return to a different workplace: more space, less desk sharing, and increased support for mobile and virtual network.

Source: Cushman & Wakefield

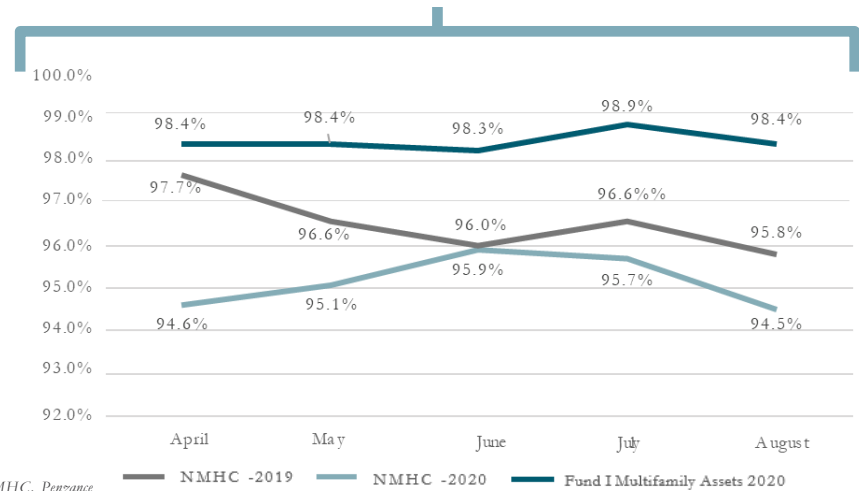
CUSHMAN & WAKEFIELD – GLOBAL OFFICE IMPACT STUDY & RECOVERY TIMING (SEPTEMBER 2020 REPORT)

In Cushman's study, they conclude that the structural impacts of work-from-home trends will be offset by factors such as economic growth, population growth, and office-using penetration, which means demand for office will continue to grow over the 10-year forecast horizon. Also, in their study, they assume that the share of people working permanently from home in the U.S. and Europe increases from ~5-6% pre-COVID-19 to ~10-11% post-COVID-19 and that the share of agile workers increases from ~32-36% to just under 50%.

Multifamily Market

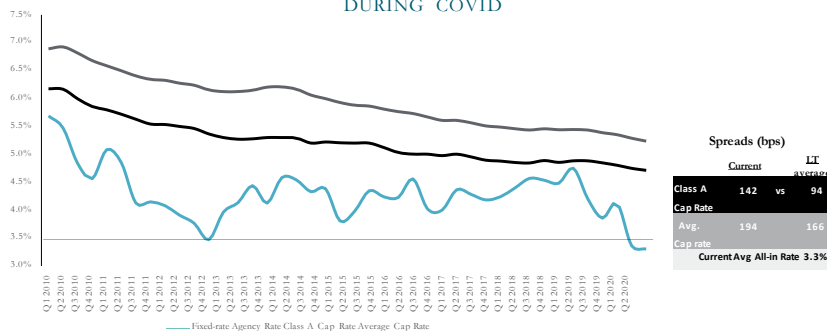
Impacts felt from COVID-19, while meaningful in certain micro markets, are not as significant in the overall region as they are in other major U.S. markets. In addition, collections for quality product have remained high, and values have increased in certain submarkets in part due to lower interest rates and also due to investor expectations of job growth in the region.

COLLECTIONS: FUND I MULTIFAMILY ASSETS VS. NMHC DATA



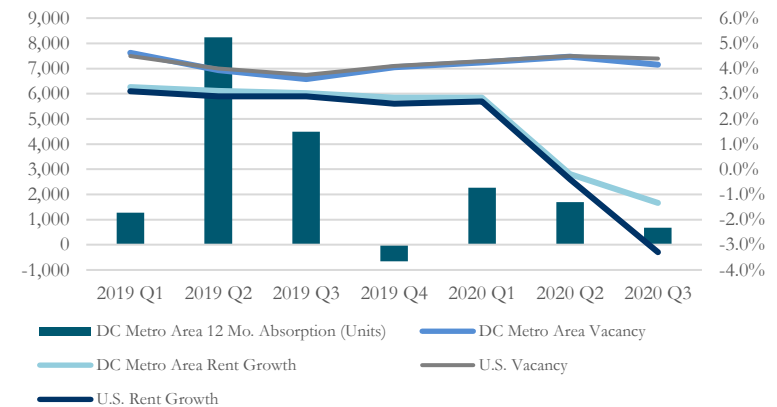
MULTIFAMILY HOUSING CAP RATES AND AGENCY RATES

SPREADS ARE WIDENING GIVEN THE DROP IN THE TREASURY RATE DURING COVID



Source: JLL Research

HISTORIC VACANCY, RENT GROWTH, AND ABSORPTION IN DC METRO AREA



Source: Axios & CBRE

Northern Virginia Data Center Market

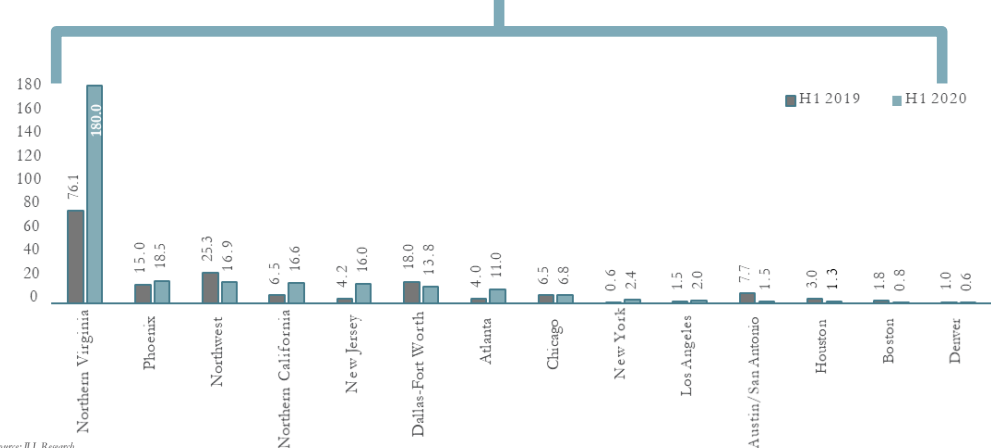
GROWING DEMAND/NOVA DOMINANCE

70% of the internet traffic flows through Ashburn, Virginia. (CBRE)

Low price per kWh (5.2 cents). (CBRE)

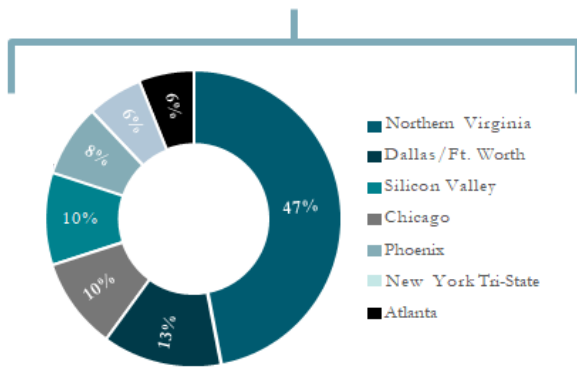


ABSORPTION (MW) BY MARKET, YEAR-OVER-YEAR



Source: JLL Research

PERCENT OF PRIMARY MARKET INVENTORY



Source: CBRE

Northern Virginia Differentiators

Reliable & Affordable Power

Unparalleled Fiber Access

Skilled Workforce

Supportive Jurisdictions Due to Tax Benefits

CASE STUDIES¹

1) The case studies presented are intended solely to provide potential investors with representative information about Penzance's real estate investment experience prior to Fund I and to provide examples of the types of investments that Penzance intends to target for Fund II. These case studies does not represent a complete list of investments prior to Fund I. The performance results shown in the case studies should not be regarded as indicative of the performance of any fund sponsored by Penzance nor should it be assumed that any of the investment by any fund sponsored by Penzance will be profitable or make comparable investments. In considering the performance results shown, prospective investors should bear in mind the respective timeframes in which this investment was made and its related market conditions, which will differ from those under which any fund sponsored by Penzance may invest. The investments presented were made and, in this case, realized under favorable economic conditions for investments in office, multifamily, and development product types and there is no guarantee that similar favorable economic conditions will exist while any fund sponsored by Penzance is making and/or realizing investments. Past performance is not indicative of future results. All results are gross and do not reflect the customary fees and expenses investors pay when investing in pooled investment vehicles, such as management and performance fees. Please refer to the "Disclaimer" and the "Endnotes to Realized Investments" for important information regarding performance.

The Willows at Victoria Falls

Investment Summary

Investment Date	January 2016
Realization Date	October 2020
Vehicle	Wholly-Owned
Property Type	Multifamily / Value-Add
Location	Laurel, MD
Units / Square Feet	75 / 124,119
Built	2014
Realized Gross IRR	28.0% ¹
Realized Gross Multiple	3.0x ¹



Investment Opportunity

- The Willows is an active adult multifamily property located within the Victoria Falls planned housing community for individuals ages 55 and over.
- As the sole for-rent option within Victoria Falls, The Willows provided Penzance with the opportunity to invest in an income producing property benefiting from increased demographic demand for luxury senior living and access to community amenities and programming.
- Penzance purchased the property in January 2016 for \$16.4 million (\$219,000 per unit / 5.6% cap rate).

Investment Highlights

- During the hold period, occupancy averaged 98% and monthly average rents increased from approximately \$2,000 to \$2,400, driving increasing net operating income.
- Penzance sold the property in October 2020 for \$22.8 million (\$304,000 per unit / 5.6% cap rate), realizing a favorable return for the investment.



1) Please refer to the "Disclaimer" for important information regarding these realized gross returns and the assumptions upon which they are based.

3001 & 3003 Washington Boulevard

Investment Summary

Investment Date	March 2012
Realization Date	November 2015
Vehicle	Asset-Level Joint-Venture
Property Type	Office / Development
Location	Arlington, VA / Clarendon
Square Feet	310,000
Built	2014
Realized Gross IRR	24.0% ¹
Realized Gross Multiple	1.6x ¹



Investment Opportunity

- Opportunity to build a 310,000 square office building on one of the last undeveloped blocks in the Clarendon submarket, one block from the Clarendon metro station (Orange and Silver Lines).
- Penzance assembled six separate land parcels and additional density rights ("TDRs") from two other property owners.

Investment Highlights

- Entitlements were obtained on an accelerated schedule through relationships with Arlington County.
- Broke ground in May 2012 and delivered on-time and under budget in 2014.
- Achieved LEED Gold Certification through U.S. Green Building Council
- Penzance pre-leased 63% of office space to CNA Corporation for 15 years (152,653 SF) and The Common Application for 10 years (21,968 SF).
- KBS Realty acquired 3003 in December 2014 for \$149.2 million (\$714 PSF / 5.1% cap rate), the then record PSF price for a NoVA office asset (RCA).
- KBS later acquired 3001 in November 2015 for \$52.0 million (\$548 PSF / 30% leased).



¹) Please refer to the "Disclaimer" for important information regarding these realized gross returns and the assumptions upon which they are based.

APPENDIX

Leadership Team Biographies



Julia Springer Tolkan
Managing Partner
& Founder

Ms. Springer co-founded Penzance with Victor Tolkan in 1996. Assets under management currently exceed \$1.2 billion with an aggregate transaction volume of \$2.9 billion over the firm's 24-year history in partnership with blue chip institutional investors. In 2017, the firm launched the Penzance DC Real Estate Fund LP to invest in value add and opportunistic strategies, including development projects, across the Washington, DC metropolitan region.

Ms. Springer served as an economist for the Board of Governors of the Federal Reserve and at Resources for the Future, and as clerk for United States District Judge Peter Beer (ED, Louisiana) before she co-founded the firm. She was an attorney in the real estate and corporate transactions group at the law firm of Shaw Pittman LLP, now Pillsbury. Ms. Springer serves on the Board of Trustees for the Field School in Washington, DC and has served on the boards of the Children's Law Center and the Jordan River Foundation, and as co-chair of the DC Leadership Circle of Women for Women.

Competitively selected for fellowship in the PhD Economics Program at MIT, Ms. Springer decided to attend law school and earned her JD from the University of Virginia School of Law.



Victor K. Tolkan
Managing Partner
& Founder

Mr. Tolkan's extensive real estate connections, market knowledge and entrepreneurship make him a leader in the industry. More than 20 years ago, he, along with Julia Springer Tolkan, co-founded Penzance, a real estate investment firm. The firm's assets under management currently exceed \$1.2 billion with an aggregate transaction volume of \$2.9 billion over the firm's history in partnerships with blue chip institutional investors through separate accounts, joint ventures and its discretionary fund.

In 2017, the firm launched the Penzance DC Real Estate Fund LP to invest in value add and opportunistic strategies, including development projects, across the Washington, DC metropolitan region. As Managing Partner, he is intimately involved in all investment activities, including acquisitions, developments, re-developments, financings, asset management, leasing, and dispositions.

A Washington, DC native, Mr. Tolkan utilizes his connections and extensive market knowledge to uncover cyclical as well as situational opportunities, works to develop capital strategies appropriate for such opportunities, and oversees timely execution. Mr. Tolkan is central to the development of appropriate business plans for each asset and monitors performance against these plans.

Prior to co-founding the firm, Mr. Tolkan was responsible for the site acquisition, development, leasing, management, tenant build-out, and design for CNV Partnership. He was also the President and CEO of The Door Store, a retail furniture business. Mr. Tolkan received his BA from Tulane University.

Leadership Team Biographies



Christopher J. White
Managing Director,
Investments

Mr. White is the Managing Director for Investments at Penzance. He has 17 years of professional experience in commercial real estate, finance, and consulting in Washington, DC and New York.

His primary focus is new investment opportunities for the Penzance real estate funds as well as overseeing strategic initiatives for Penzance's existing assets, which includes approximately 2.0 million square feet of commercial space, 1,000 apartment units, 900 apartment units under construction, and 2.0 million square feet of development pipeline.

Previously, Mr. White led the Acquisitions and Asset Management Team in the Washington, DC market for MRP Realty. He was directly involved in over \$1 billion total capitalization in multiple product types. Mr. White also worked at H/2 Capital Partners in Stamford, CT where he focused on investments and risk management of debt securities collateralized with real estate assets across the United States, Canada, and London.

Mr. White serves on the Board of Directors for the Montgomery College Foundation and is a Trustee of the Jerome S. and Grace H. Murray Foundation.

He graduated from Princeton University with an AB in Politics and Certificate of Political Economy.



Sean H. Bare
Chief Financial Officer

As CFO, Mr. Bare oversees all financial management functions including accounting, reporting, fund administration, financial planning, portfolio management, treasury, debt capital markets and information technology.

Mr. Bare has over 29 years of commercial real estate experience with public and private companies in finance, accounting, capital markets, and strategic planning. He has built a \$100 million lending platform, helped grow a regional office REIT to a national firm, raised \$11 billion of debt and equity capital, restructured \$2 billion of debt, analyzed private and public company investments, and participated on strategic planning management committees for financial services and commercial real estate firms creating significant value for investors.

Previously, Mr. Bare held positions at Baja Longtail Capital, American Capital, Ltd., and CarrAmerica Realty Corporation.

Mr. Bare received his BS in Accounting with a minor in Management Information Systems from the University of Delaware and is a Certified Corporate Financial Planning & Analysis Professional.

Leadership Team Biographies



Michael L. Lefkowitz
Senior Vice President,
General Counsel

Mr. Lefkowitz is the Senior Vice President and General Counsel of Penzance. He is responsible for the company's legal activities, human resources, providing advice and counsel, and review of leasing, ownership structuring, contract negotiation, and general operations.

Previously, Mr. Lefkowitz was a partner at the law firm of Holland & Knight, LLP in Washington, DC, where he represented developers, pension funds, institutional owners, hospitality companies, investors, and corporate tenants in the acquisition, sale, leasing, financing, and development of real estate assets.

Mr. Lefkowitz is a graduate of Muhlenberg College and the University of Baltimore School of Law.



Richard A. Brookshire
Managing Director,
Asset and Portfolio
Management

Mr. Brookshire is the Managing Director for Asset and Portfolio Management.

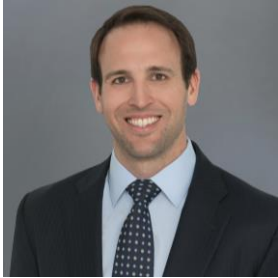
His primary focus is portfolio management for the Penzance real estate funds as well as overseeing asset management for Penzance's existing assets, which includes approximately 2.0 million square feet of commercial space and 1,000 apartment units.

He has over 20 years of real estate experience with office, multifamily, and mixed-use properties in U.S. urban and suburban markets across value-add and opportunistic investment strategies for leading domestic and foreign investors. He has been part of senior leadership teams overseeing more than 8.0 million square feet of assets and professionals covering a broad range of real estate disciplines. His transaction experience includes over \$3 billion of acquisitions and development, \$4 billion of debt financings, \$2 billion of equity capital raises, and \$2 billion of recapitalizations/restructurings.

Previously, Mr. Brookshire was a senior principal at Monday Properties where he led investment and portfolio management activities from 2004 to 2015. Before that at Tishman Speyer he held acquisition, finance, disposition, and portfolio management roles. He began his career with Arthur Andersen.

Mr. Brookshire received his BS in Business from Wake Forest University. He is a Chartered Alternative Investment Analyst.

Leadership Team Biographies



John E. Kusturiss, III
Senior Vice President,
Development
& Construction

Mr. Kusturiss is the Senior Vice President, Development and Construction. He oversees development and construction activities for the firm including ground-up development. With 16 years of real estate experience, he has been responsible for the due diligence, acquisition entitlement, design management, construction management, and leasing efforts for over 1.5 million square feet of new product.

Previously, Mr. Kusturiss worked at Equity Residential on the development team where he managed development and construction activities for six Class-A apartment projects totaling over 1,500 units and 50,000 square feet of retail. Prior to that, Mr. Kusturiss worked for Clark Construction coordinating the design and construction of new multifamily buildings in the Washington, DC metropolitan area. Mr. Kusturiss serves on the Board of Directors of NAIOP and as the co-chair of the Arlington County Government subcommittee. Additionally, he serves on the Rosslyn BID Urban Design Committee and is a 2016 Leadership Center for Excellence 40 Under 40 Honoree.

He received his BS in Engineering Technology from the University of Delaware and his MBA from the George Washington University.



Peter N. Greenwald
Senior Advisor

Mr. Greenwald is Senior Advisor to the firm's executive team in government, community, and media relations.

He serves as Chairman of the Rosslyn Business Improvement District in Arlington, Virginia. Mr. Greenwald served as an Arlington Economic Development Commissioner, as an appointee of the County Board until the expiration of his term in 2018. He is the Chairman and founding member of the Arlington Foundation for Arts and Innovation, an entity established to spearhead creativity and investment in County cultural activities. He has spearheaded the Leadership Council of the Watergate complex. Until the expiration of his term in January 2009, he served on the Executive Committee and Board of the Mount Vernon Triangle Community Improvement District in Washington, DC.

He founded the New York law firm of Greenwald and Strongin, and is a former partner at Rosenman & Colin, now KMZ Rosenman. He was Executive Vice President, General Counsel, and Secretary of Retired Persons Services, Inc.

Mr. Greenwald received his AB and AM from Harvard University and his JD from the New York University School of Law.





Connecticut Retirement Plans and Trust Funds (“CRPTF”)

Real Estate Investment Trusts, (“REITs”) Allocation

Objectives and Background

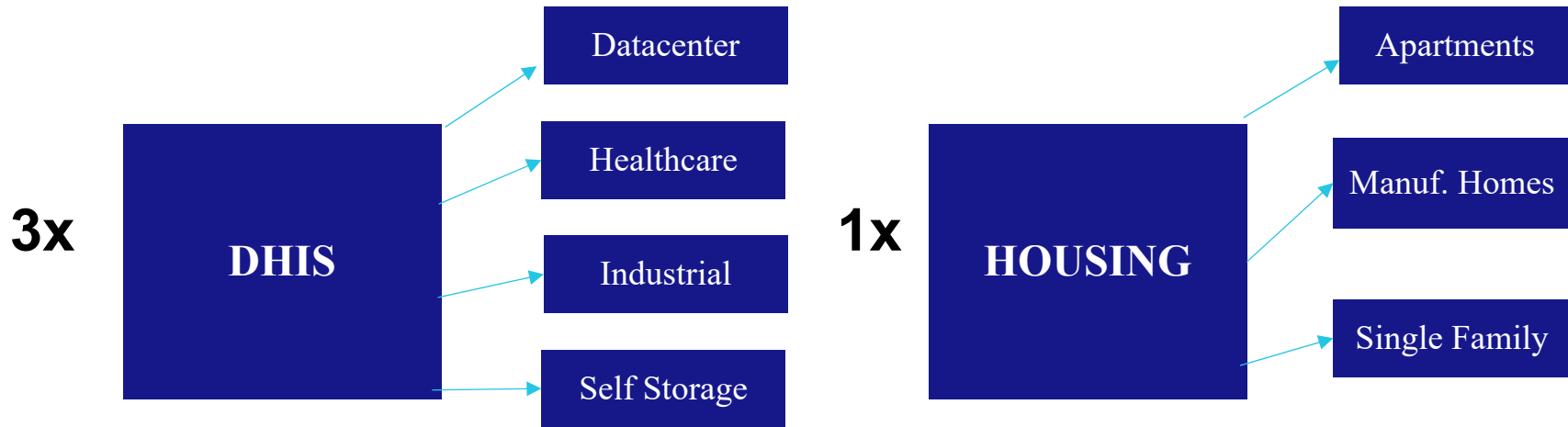
- Utilize Connecticut's Passive Panel Program, created in 2019, to add \$200 million in publicly traded U.S. REITs.
- REIT investment will assist with a timelier implementation of the long-term real estate allocation target of 10% for CRPTF.
- PFM Staff sought a passive US REITs strategy with no security selection but with an active sector allocation. This allows both avoiding additional market exposure to sectors where PFM staff had less conviction and adding exposure to sectors where PFM staff had conviction.
- This more targeted REIT strategy is also in line with CRPTF's recent real estate niche focus within its private real estate fund allocations.

Objectives and Background

- PFM staff worked with Blackrock to review various REIT index providers before ultimately selecting FTSE NAREIT given the high degree of granularly used within its industry categorization.
- This market weighted strategy will be rebalanced and capped annually.
- Blackrock traded \$200 million on CRPTF's behalf on 3/23/21.

REIT Strategy

Increase exposure to certain non-traditional real estate markets and to a lesser extent to housing.



- Created two composites:
 - DHIS** – publicly traded data centers, healthcare, industrial and self storage
 - Housing** – publicly traded rental apartments, manufactured homes and single-family residences.
- Established a 3:1 ratio for the DHIS and Housing composites, with DHIS the more heavily weighted to emphasize under allocated sectors.
- Established a 20% market cap on single securities within each composite.

Merits and Risks

Merits

- Immediate investment, no j-curve.
- Customized sectors where staff has conviction.
- 20% single name cap written into policy to minimize potential single security concentrations.
- Low fees, 8.5 bps on \$200 million- fees include Blackrock and FTSE.



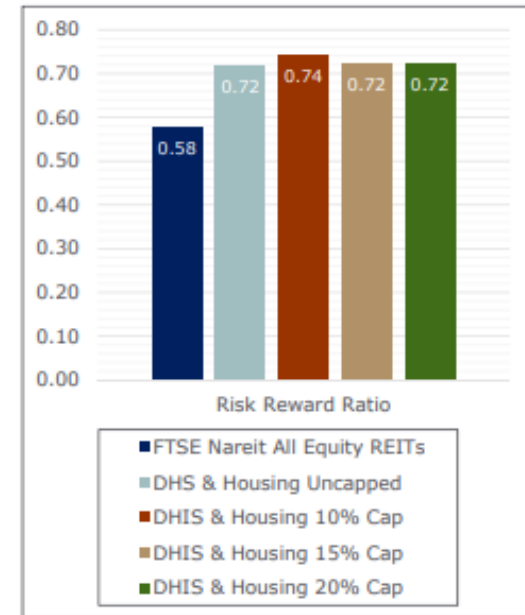
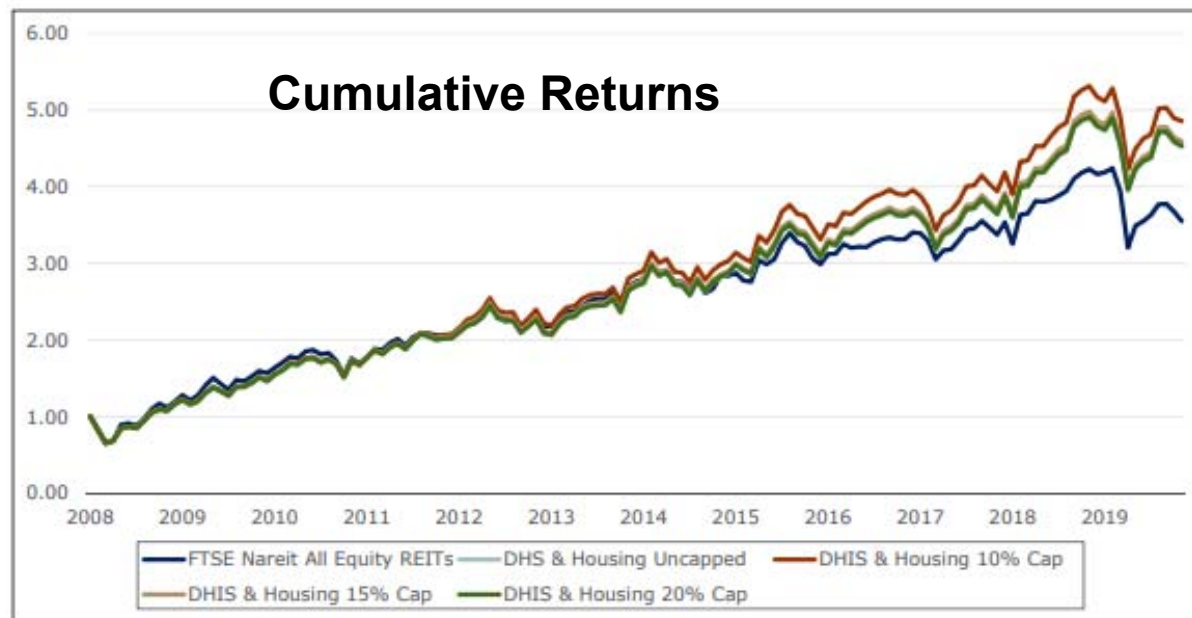
Risks

- Market volatility, securities publicly traded. Long-term investment and prudent discipline required as with all equity investments.
- Though this investment is liquid, the strategy should not be used for liquidity purposes.
- Potential adverse sector specific challenges within chosen investment sectors vs. broader REIT market.



Appendix

Appendix: Historical Review



*All indices have a 3:1 ratio except for FTSE Nareit All Equity REITs

- DHIS & Housing composite indices outperformed the broader REIT market.
- The composite with a 10% cap on individual names had stronger performance than the composites with 15% or 20% caps, as well as the uncapped composite. PFM staff elected to not pursue the 10% route given the slightly greater weight this placed on more volatile small caps- which also made it a less passive mandate.
- There is little observable difference in the performance between the uncapped composite and the composites with 15% or 20% caps. However, the 20% market cap was selected to better ensure against any potential issues from market cap that can result in the future.

Appendix: Historical Review

From 12/31/2008 to 9/30/2020

Index	Annualized Return (%)	Annualized Volatility (%)	Volatility Reduction (%)	Risk Reward Ratio	Maximum Drawdown (%)	Excess Return (%)	Tracking Error (%)	Information Ratio	Alpha (%)	Beta	Up Capture Ratio (%)	Down Capture Ratio (%)	2-way Turnover (%)
Benchmark FTSE Nareit All Equity REITs	11.71	20.33		0.58	-34.53								9.69
Index 1 DHIS uncapped	13.79	19.33	4.92	0.71	-34.08	2.07	7.00	0.30	3.09	0.89	102.18	94.70	12.13
Index 2 Housing uncapped	13.38	21.26	-4.58	0.63	-35.80	1.67	8.41	0.20	2.26	0.96	105.45	99.28	5.86
Index 3 DHIS and Housing Composite with 3:1 ratio uncapped	13.82	19.24	5.35	0.72	-34.48	2.11	5.59	0.38	2.88	0.91	103.29	95.66	12.17
Index 4 DHIS and Housing Composite with 3:1 ratio and 10% capping	14.47	19.49	4.14	0.74	-35.25	2.76	5.44	0.51	3.34	0.92	106.04	96.00	23.20
Index 5 DHIS and Housing Composite with 3:1 ratio and 15% capping	13.97	19.30	5.03	0.72	-34.65	2.25	5.58	0.40	2.98	0.91	103.93	95.77	15.88
Index 6 DHIS and Housing Composite with 3:1 ratio and 20% capping	13.85	19.24	5.35	0.72	-34.43	2.14	5.60	0.38	2.91	0.91	103.42	95.69	13.04

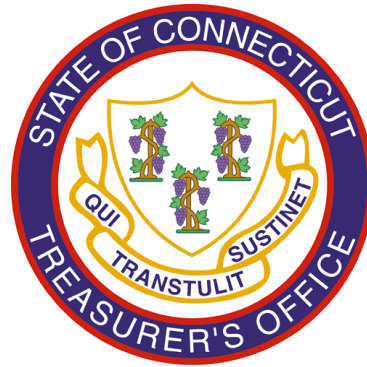
Return As Of 9/30/2020 (%)

	1 Month	3 Month	6 Month	YTD	1 Year	3 Year (pa)	5 Year (pa)	10 Year (pa)
Benchmark FTSE Nareit All Equity REITs	-2.66	1.19	14.59	-12.27	-12.15	3.54	6.61	9.20
Index 1 DHIS uncapped	-2.30	6.99	18.85	2.51	-0.44	9.88	12.38	12.94
Index 2 Housing uncapped	-4.40	-3.41	5.40	-20.46	-21.81	2.30	5.33	9.72
Index 3 DHIS and Housing Composite with 3:1 ratio uncapped	-2.74	4.67	15.81	-3.23	-5.74	8.15	10.72	12.26
Index 4 DHIS and Housing Composite with 3:1 ratio and 10% capping	-2.70	4.49	15.76	-4.28	-6.95	7.81	10.98	13.02
Index 5 DHIS and Housing Composite with 3:1 ratio and 15% capping	-2.76	4.59	15.70	-3.41	-5.88	8.11	10.78	12.39
Index 6 DHIS and Housing Composite with 3:1 ratio and 20% capping	-2.74	4.67	15.81	-3.23	-5.74	8.15	10.74	12.29

Annualized Volatility As Of 9/30/2020 (%)

	1 Year	3 Year (pa)	5 Year (pa)	10 Year (pa)
Benchmark FTSE Nareit All Equity REITs	23.43	17.61	15.68	15.40
Index 1 DHIS uncapped	18.43	16.43	15.14	16.26
Index 2 Housing uncapped	25.89	18.98	16.93	16.63
Index 3 DHIS and Housing Composite with 3:1 ratio uncapped	19.62	16.61	15.20	15.89
Index 4 DHIS and Housing Composite with 3:1 ratio and 10% capping	20.06	16.77	15.32	16.00
Index 5 DHIS and Housing Composite with 3:1 ratio and 15% capping	19.59	16.59	15.19	15.91
Index 6 DHIS and Housing Composite with 3:1 ratio and 20% capping	19.62	16.61	15.21	15.90

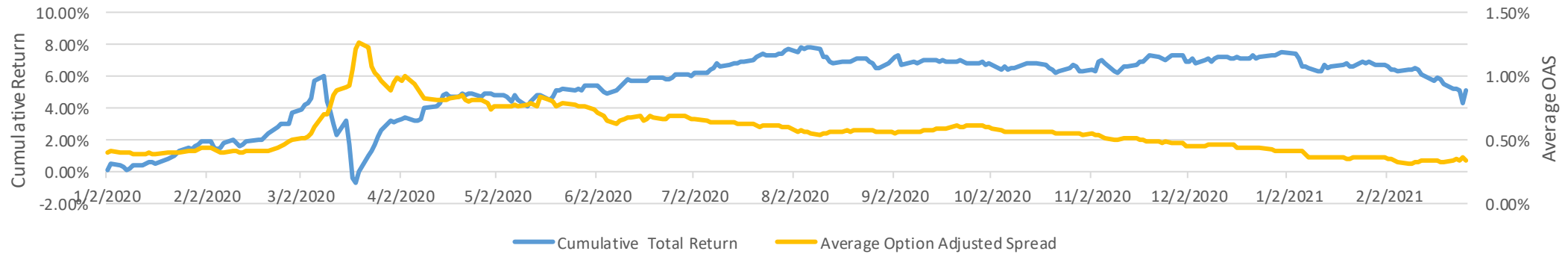
The Connecticut Retirement Plans and Trust Funds



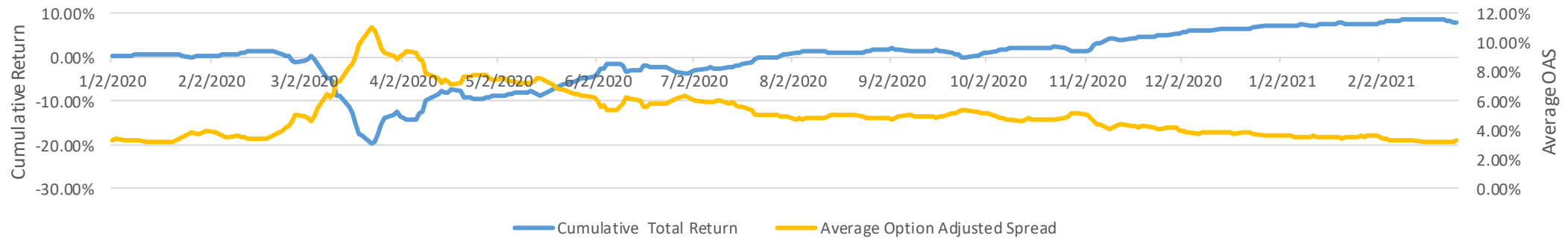
Public Fixed Income Update
April 14, 2021

Markets

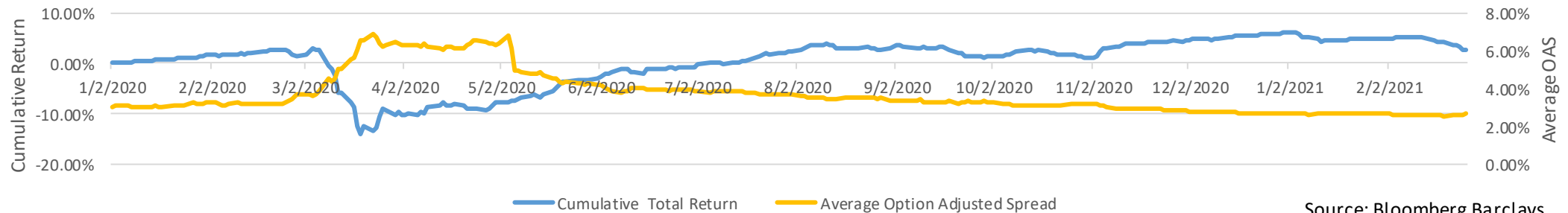
US Aggregate Bond Index



U.S. High Yield - 2% Issuer Cap



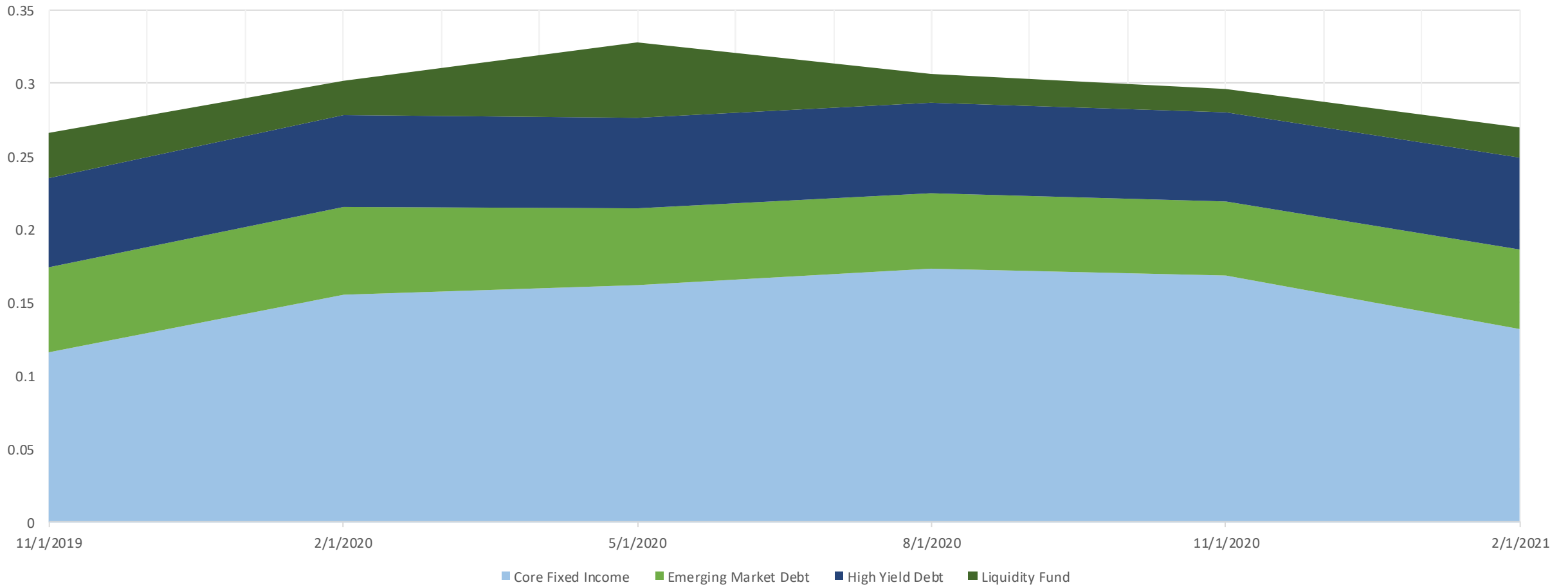
Emerging Markets USD Sovereign + Quasi-Sov




Source: Bloomberg Barclays

Impact on Positioning

CRPTF Fixed Income
Historical Asset Allocation Trends



Impacts on Performance

		Teachers Retirement Fund Net of Fees and Expenses As of Date:2/28/2021										Reporting Currency:BASE		
Structure	% of Total	Target Allocation %	Allocation Range %	Market Value (in Millions)	Month	3 Months	Fiscal YTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	
TEACHERS RETIREMENT	100.00			20,729.04	0.96	4.26	15.95	0.88	16.16	7.52	10.12	7.34	7.55	
TEACHERS RETIREMENT CFIF	13.15	13.00	8.0 - 18.0	2,725.65	-1.67	-2.09	-0.55	-2.32	1.88	4.93	3.69	3.23	3.49	
Bloomberg Barclays U.S. Aggregate Bond Index					-1.44	-2.02	-0.89	-2.15	1.38	5.32	3.55	3.47	3.58	
TEACHERS RETIREMENT EMDF	5.44	5.00	0.0 - 10.0	1,127.74	-2.20	-0.08	7.93	-3.36	2.53	1.46	6.03	3.34	3.67	
State of CT - EMDF Total Fund Custom Composite^~					-2.62	-1.08	5.27	-3.67	2.33	2.58	5.81	3.27	4.27	
TEACHERS RETIREMENT HYDF	6.41	3.00	0.0 - 8.0	1,327.92	0.74	3.56	13.87	1.29	10.78	6.16	8.54	4.89	5.96	
HYDF Custom Benchmark					0.37	2.60	12.09	0.70	8.91	6.12	8.74	5.00	6.15	

Fiscal YTD:

- Core Fixed Income Fund outperformance: 34 bps
- High Yield Debt Fund outperformance: 178 bps
- Emerging Market Debt Fund outperformance: 266 bps

Core Fixed Income Fund Performance

- **Performance drivers:**
 - Corporate security selection and positioning
 - Securitized product positioning
 - Municipal overweight
- **Performance detractors:**
 - Staying liquid in the passive allocation

Core Fixed Income

As of 2/28/2021

Fiscal YTD

	Average Allocation	Return	Benchmark	Excess Return (NOF)	Attribution
BLACKROCK	9.63%	-0.58%	-0.89%	0.31%	0.03%
STATE STREET GLOBAL	30.65%	-1.44%	-0.89%	-0.55%	-0.14%
CONNING - GOODWIN	22.44%	-0.06%	-0.89%	0.83%	0.20%
WELLINGTON	20.79%	-0.58%	-0.89%	0.31%	0.05%
BIVIUM	0.97%	2.76%	1.29%	1.47%	0.02%
ATTUCKS FIXED INCOME	1.21%	-1.53%	-1.44%	-0.09%	0.00%
LONGFELLOW	7.05%	1.42%	-0.89%	2.31%	0.16%
PUGH CAPITAL MGMT	7.04%	-0.67%	-0.89%	0.22%	0.01%
CASH	0.23%				0.01%
TOTAL	100.00%	-0.55%	-0.89%	0.34%	0.34%

High Yield Debt Fund Performance

- **Performance drivers:**
 - Active management
 - Portfolio beta positioning
 - Bets in energy and leverage loans
 - Opportunistic convertible allocation
- **Performance detractors:**
 - Cash drag

High Yield Debt

As of 2/28/2021

Fiscal YTD

	Average Allocation	Return	Benchmark	Excess Return (NOF)	Style Return	Manager Return	Attribution
NOMURA	25.09%	15.92%	12.09%	3.83%	0.00%	0.90%	0.90%
COLUMBIA	27.78%	11.17%	12.09%	-0.92%	0.00%	-0.08%	-0.08%
AB	13.69%	15.06%	12.09%	2.97%	0.00%	0.06%	0.06%
DDJ	9.50%	18.38%	12.09%	6.29%	0.00%	0.62%	0.62%
SHENKMAN	15.83%	10.87%	12.09%	-1.22%	0.00%	-0.06%	-0.06%
ATTUCKS							
HIGH YIELD	0.96%	0.69%	0.37%	0.32%	-0.01%	0.02%	0.01%
ADVENT	2.02%	10.40%	2.59%	7.81%	0.37%	-0.06%	0.31%
CALAMOS	0.67%	10.00%	2.59%	7.41%	0.14%	-0.03%	0.11%
CASH	0.94%				-0.08%	0.00%	-0.08%
TOTAL	100.00%	13.87%	12.09%	1.78%	0.43%	1.36%	1.78%

Emerging Market Debt Fund Performance

- **Performance drivers:**
 - Active management
 - Portfolio restructure
 - Overweight to EM corporates and Frontier Markets
- **Performance detractors:**
 - Realizing losses during the transition event

Emerging Debt Fund

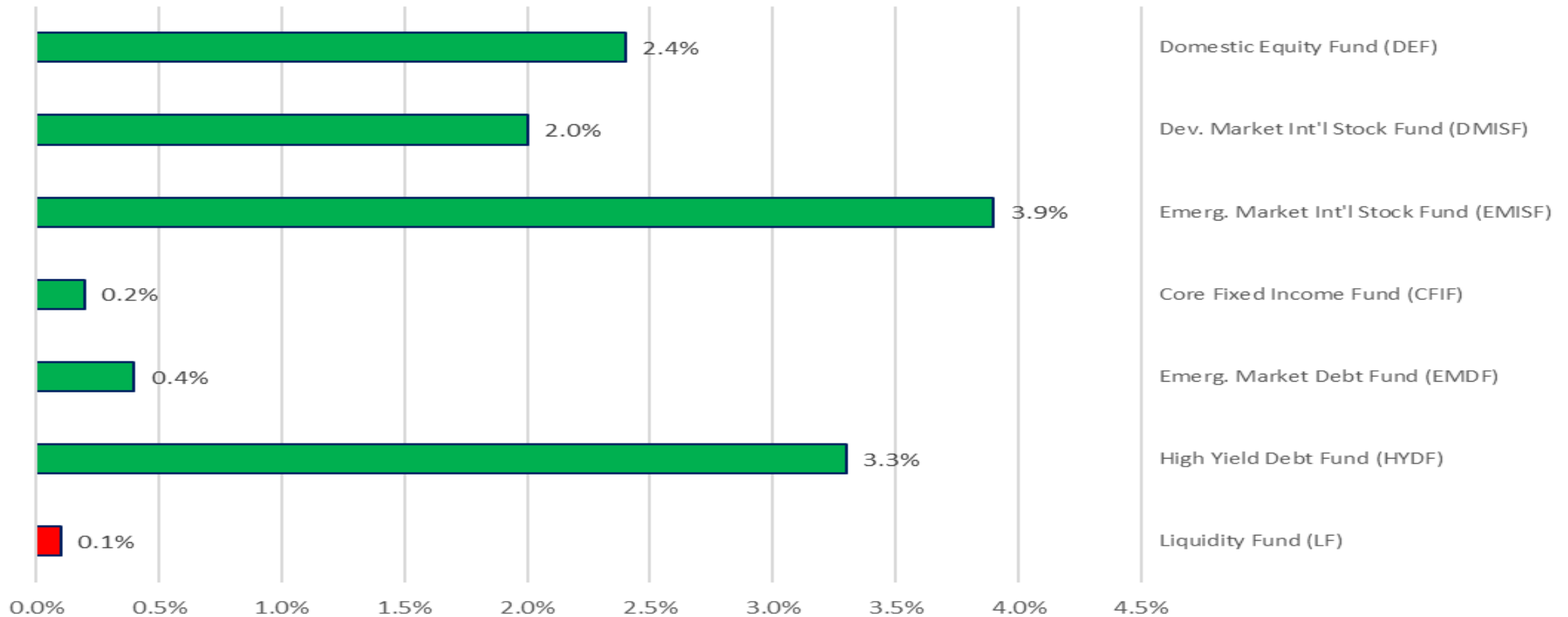
As of 2/28/2021

Fiscal YTD

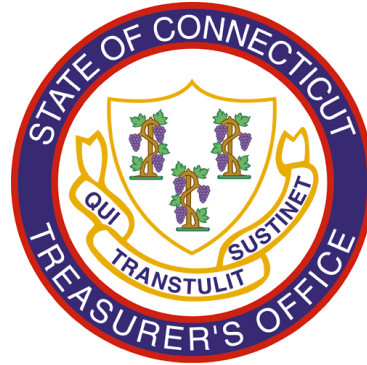
	Average Allocation	Return	Benchmark	Excess Return (NOF)	Attribution
PAYDEN	40.10%	8.45%	5.27%	3.18%	1.23%
ASHMORE	8.86%	16.39%	5.27%	11.12%	0.90%
PIMCO	22.63%	5.03%	3.75%	1.28%	0.39%
ABERDEEN	22.53%	5.23%	3.75%	1.48%	0.47%
EATON VANCE	1.84%	8.08%	3.55%	4.53%	0.15%
ATTUCKS EM MKTS DEBT	1.42%	-0.80%	-2.62%	1.82%	0.11%
TRANSITION EVENT	1.18%	-8.85%	4.88%	-13.73%	-0.55%
CASH	0.50%				-0.03%
TOTAL	100.00%	7.93%	5.27%	2.66%	2.66%

Outlook and Positioning

Over/Under vs. Policy Targets as of 2/28/2021



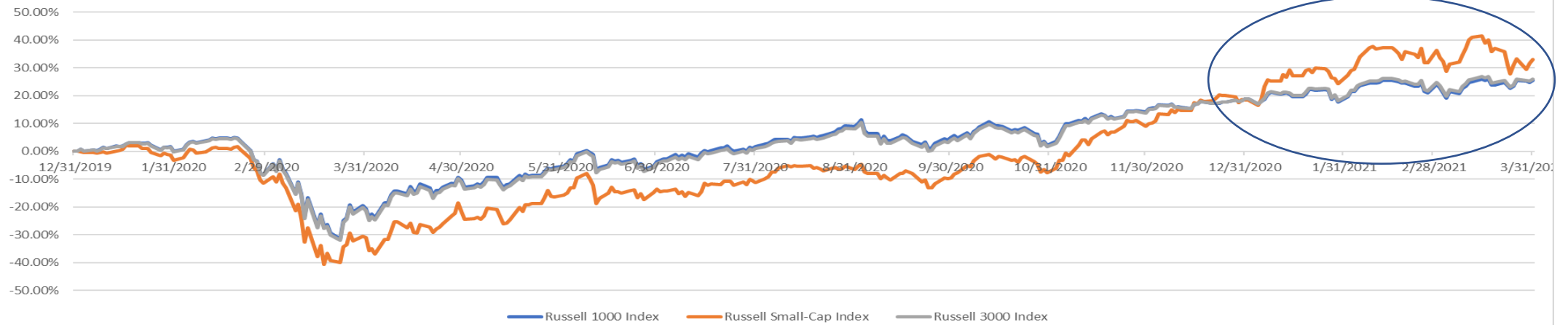
The Connecticut Retirement Plans and Trust Funds



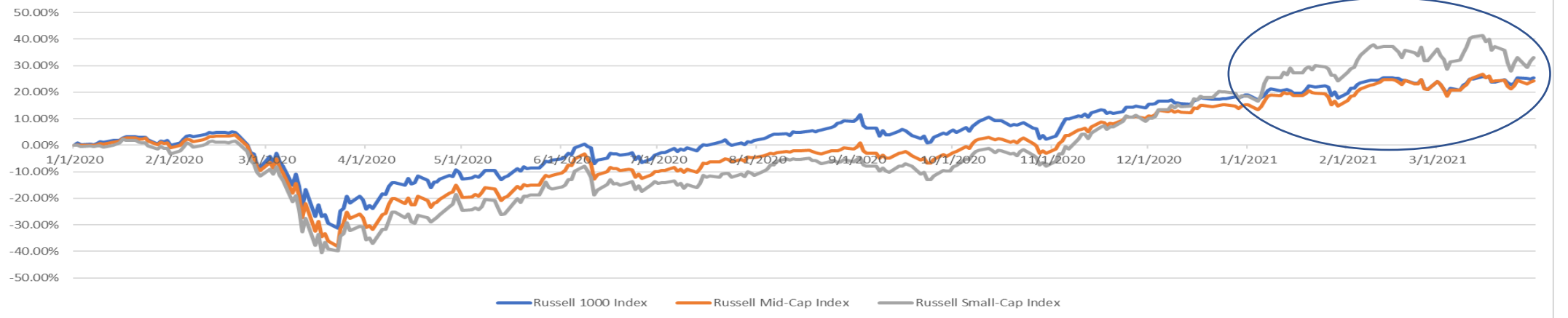
Public Equity Update
April 14, 2021

Markets

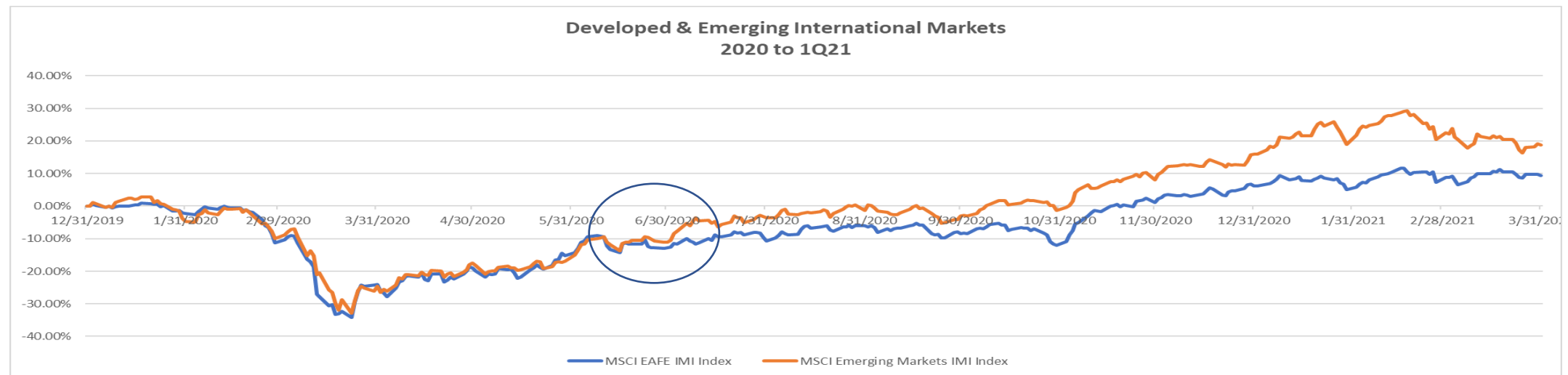
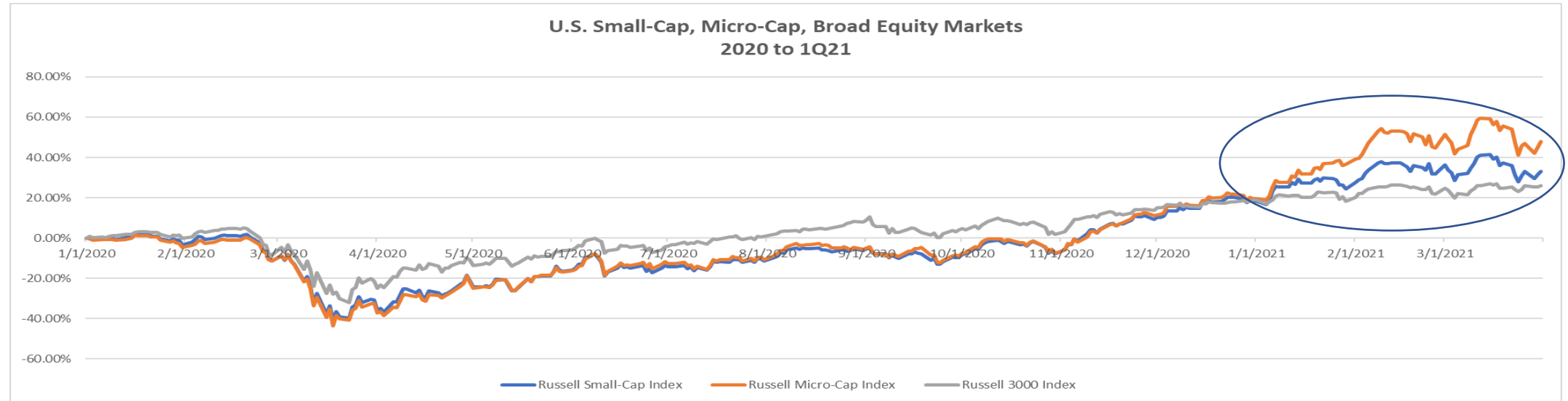
**U.S. Large-Cap, Small-Cap, Broad Equity Markets
2020 to 1Q21**



**U.S. Large-Cap, Mid-Cap, Small-Cap Equity Markets
2020 to 1Q21**

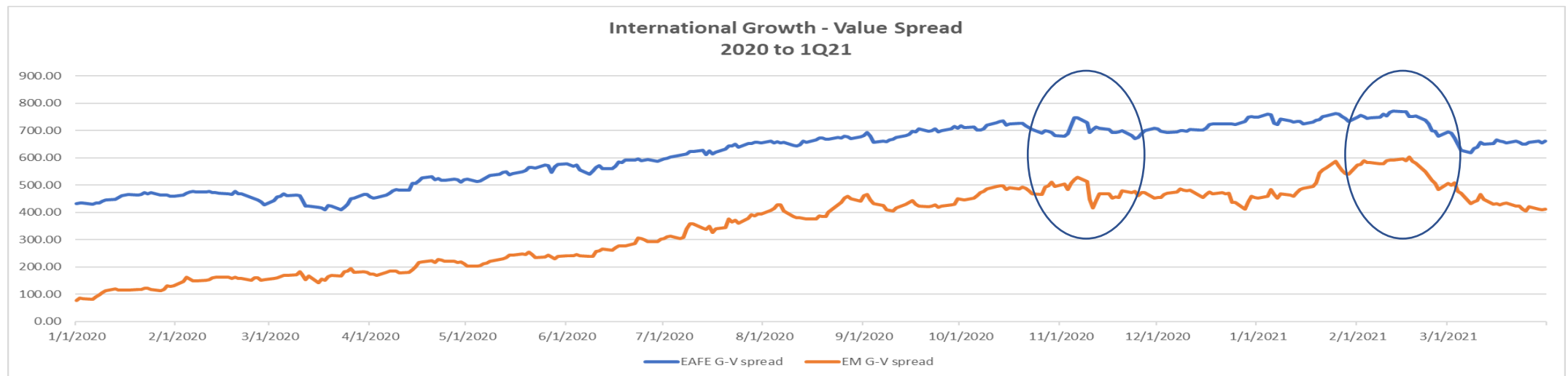
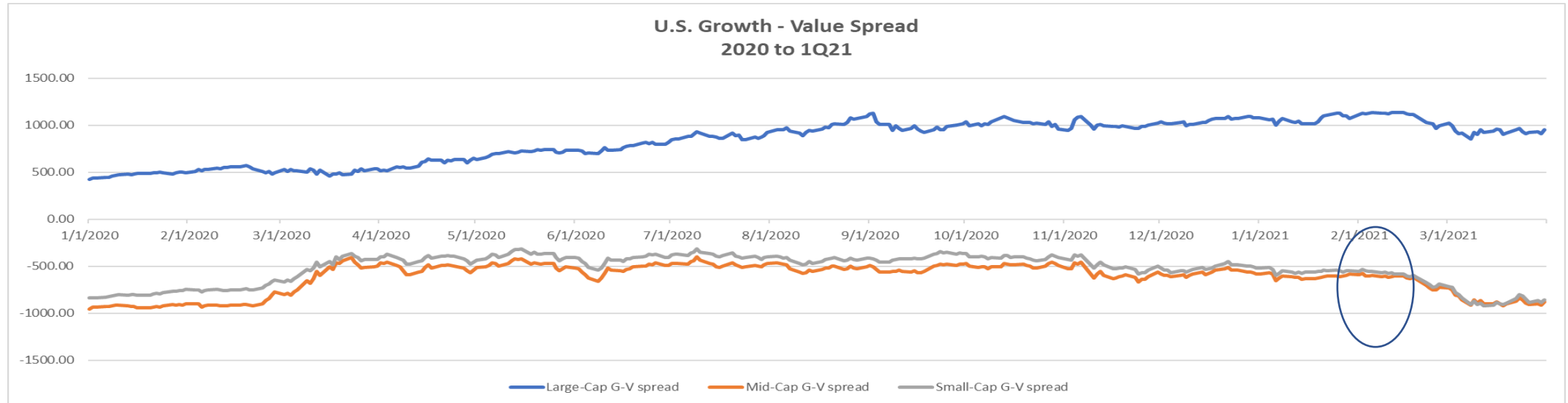


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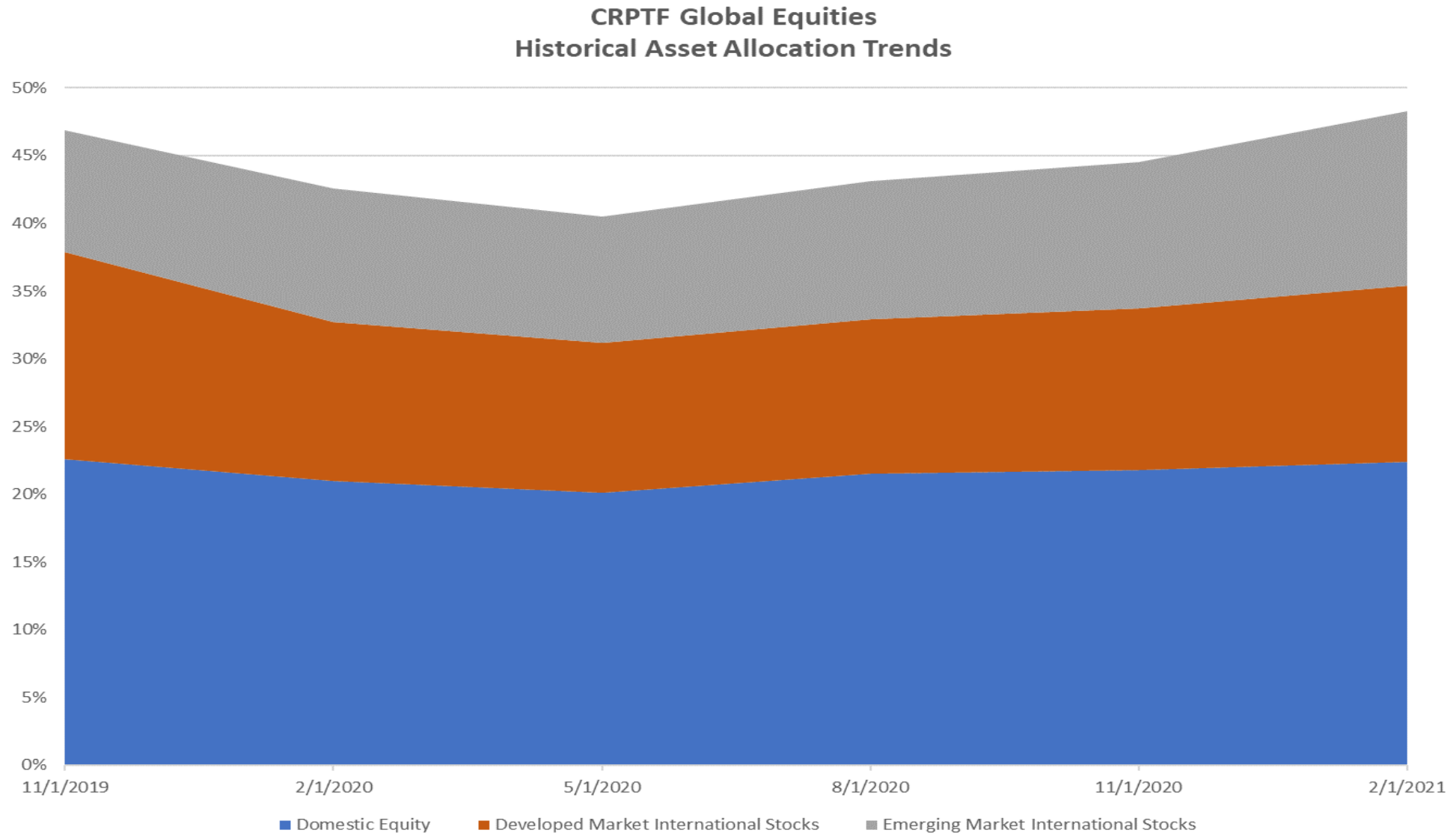
Source: Bloomberg

Markets




Source: Bloomberg

Impact on Positioning



Impacts on Performance



Teachers Retirement Fund

Net of Fees and Expenses

As of Date: 2/28/2021

Reporting Currency: BASE

Structure	% of Total	Target Allocation %	Allocation Range %	Market Value (in Millions)	Month	3 Months	Fiscal YTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
TEACHERS RETIREMENT	100.00			20,729.04	0.96	4.26	15.95	0.88	16.16	7.52	10.12	7.34	7.55
TEACHERS RETIREMENT DEF	22.56	20.00	15.0 - 25.0	4,675.67	3.26	7.08	28.08	2.61	34.50	14.66	17.24	12.83	13.28
Russell 3000 Index					3.13	7.29	28.58	2.67	35.33	14.97	17.41	12.96	13.44
TEACHERS RETIREMENT DMISF	13.03	11.00	6.0 - 16.0	2,701.05	2.74	6.58	24.96	1.51	25.33	5.35	10.49	6.23	6.92
DMISF Asset Class BM					2.30	6.36	24.32	1.32	23.70	6.55	10.81	6.61	6.94
TEACHERS RETIREMENT EMISF	12.95	9.00	4.0 - 14.0	2,684.89	1.05	12.03	40.90	3.56	44.23	9.52	16.67	8.48	5.27
MSCI EM IMI Net Blend					1.31	11.78	37.07	4.09	36.63	6.11	14.74	7.06	4.32

Fiscal YTD:

- Domestic Equity Fund underperformance: -50 bps
- Developed Markets International Stock Fund outperformance: 64 bps
- Emerging Markets International Stock Fund outperformance: 383 bps

Domestic Equity Fund Performance

- **Performance drivers:**
 - Small-cap stock selection in healthcare, energy and financials underweight before the rotation into cyclical
- **Performance detractors:**
 - Negative stock selection led by consumer discretionary

Domestic Equity Fund

As of 2/28/2021

Fiscal YTD

	Allocation	Return	Benchmark	Excess Return (NOF)	Style Return	Manager Return	Attribution
T ROWE PRICE	43.1%	25.75%	28.58%	-2.83%	-1.86%	0.64%	-1.22%
RHUMBLINE	38.9%	26.96%	28.58%	-1.62%	-0.61%	-0.02%	-0.63%
XPONANCE	7.0%	24.24%	28.58%	-4.34%	-0.30%	0.00%	-0.31%
ATTUCKS	3.5%	20.89%	19.85%	1.04%	0.00%	0.06%	0.06%
BIVUM	2.7%	26.59%	19.85%	6.74%	0.30%	-0.01%	0.29%
SSGA TRANSITION	2.6%	17.20%	7.29%	9.91%	0.95%	-0.28%	0.68%
NT TRANSITION	2.1%	9.84%	2.67%	7.17%	0.60%	-0.01%	0.59%
CASH & OTHER	0.2%				0.04%	0.00%	0.04%
	100.00%	28.08%	28.58%	-0.50%	-0.88%	0.38%	-0.50%

Developed Markets International Stock Fund Performance

- **Performance drivers:**

- Value exposure
- Stock selection led by IT, financials, communication services, materials and industrials
- Emerging markets exposure

- **Performance detractors:**

- High-quality investments lagged low-quality rally
- Regional stock selection led by Europe ex-UK and Japan

Developed Markets International Stock Fund

As of 2/28/2021

Fiscal YTD

	Allocation	Return	Benchmark	Excess Return NOF	Style Return	Manager Return	Attribution
SSGA	48.8%	23.35%	24.32%	-0.97%	0.00%	-0.47%	-0.47%
CAUSEWAY	15.5%	33.11%	24.32%	8.79%	0.00%	1.36%	1.36%
ACADIAN	13.4%	22.82%	24.32%	-1.50%	-0.15%	-0.05%	-0.20%
FIERA	14.0%	23.12%	24.32%	-1.20%	0.00%	-0.17%	-0.17%
XPONANCE	7.3%	26.94%	24.32%	2.62%	0.23%	-0.04%	0.19%
CASH & OTHER	1.0%				-0.07%	0.00%	-0.07%
	100.00%	24.96%	24.32%	0.64%	0.01%	0.64%	0.64%

Emerging Markets International Stock Fund Performance

- **Performance drivers:**

- Broad sector exposure
- Stock selection led by IT and communication services
- Stock selection and allocation to countries that recovered fastest from COVID including China, Taiwan and Korea
- Growth exposure during the early stages of the recovery – IT, healthcare
- Value exposure during last 3 months

- **Performance detractors:**

- High-quality exposure during low-quality rally

Emerging Markets International Stock Fund

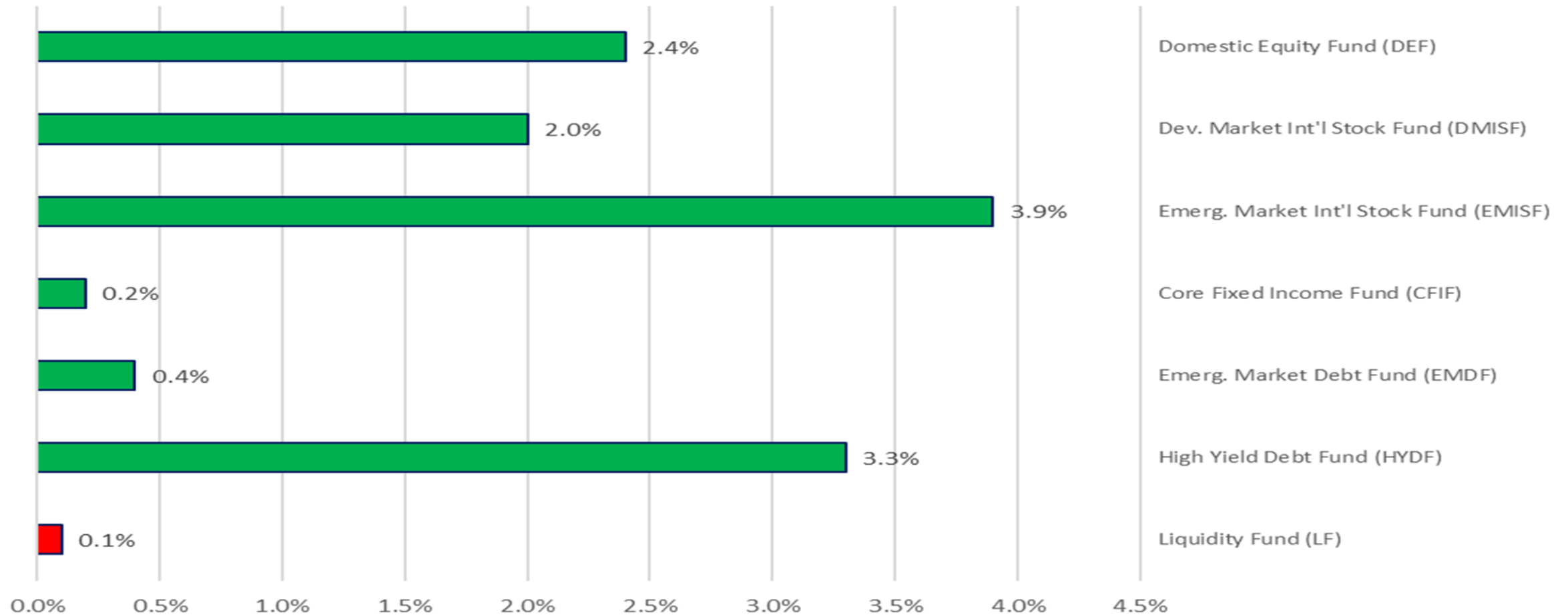
As of 2/28/2021

Fiscal YTD

	Allocation	Return	Benchmark	Excess Return NOF	Style Return	Manager Return	Attribution
SCHRODERS	37.0%	44.36%	37.07%	7.29%	-0.33%	3.02%	2.70%
LAZARD	9.9%	42.26%	37.07%	5.19%	0.00%	0.51%	0.51%
DRIEHAUS	19.9%	37.19%	37.07%	0.12%	0.40%	-0.37%	0.02%
GQG	17.7%	41.42%	37.07%	4.35%	0.35%	0.42%	0.77%
ARGA	9.8%	38.03%	37.07%	0.96%	-0.33%	0.42%	0.09%
TRANSITION FUND	5.5%	-1.78%	3.85%	-5.63%	-0.21%	-0.10%	-0.31%
CASH & OTHER	0.2%				0.07%	0.00%	0.07%
	100.00%	40.92%	37.07%	3.85%	-0.04%	3.90%	3.85%

Outlook and Positioning

Over/Under vs. Policy Targets as of 2/28/2021



Investment Advisory Council
IAC Fiscal 2022 and 2023 Budget
For the years ended June 30, 2022 and 2023

UNAUDITED

IAC Budget Proposal									
Description	(1) Paid	(2) Pending	(1)+(2) Incurred	Balance Fiscal Year Projecte	Projected Annual Total	Fiscal '21 Budget	(Over)/Under Budget	Fiscal '22 Proposed	Fiscal '23 Proposed
Commuter Costs	0	0	0	1,050	1,050	2,100	1,050	4,400	4,500
Correspondence	0	0	0	450	450	900	450		
Education/Travel	0	0	0	3,150	3,150	6,300	3,150	8,000	32,600
Meeting Costs	0	0	0	1,350	1,350	2,700	1,350	7,600	7,700
Other	0	0	0	498	498	1,000	502	1,000	1,000
Subscriptions	486	0	486	402	888	800	(88)	6,400	9,700
Supplies	0	0	0	48	48	99	51	100	100
Total	486	-	486	6,948	7,434	13,899	6,465	19,620	55,600

(1) Amounts paid as of 3/31/2021

(2) Amounts approved but not processed as of 3/31/2021

Moody's gives Connecticut a higher credit rating for first time in two decades in "a significant milestone"

By CHRISTOPHER KEATING

MAR 31, 2021 AT 4:14 PM

With the state's largest rainy day fund in history, Moody's Investors Service upgraded Connecticut's bond rating Wednesday for the first time in 20 years. As tax collections have performed better than expected during the ongoing pandemic, the Wall Street rating for general obligation bonds was moved from "A1" to "Aa3" in the first upgrade since February 2001.

State treasurer Shawn Wooden, who oversees the state's bond sales, said the upgrade was "a significant milestone for the state."

Top state officials have been surprised at the strong performance of the state income tax, which has benefitted from consistent records on Wall Street as Fairfield County millionaires and billionaires have paid huge sums of capital gains taxes. The state is also projected to collect more than \$1 billion from the relatively new pass-through entity tax, which is largely paid by wealthy business owners who operate limited liability companies and do not pay the corporate profits tax.

The upgrade provides a sharp contrast from the dire predictions that were made last year shortly after the coronavirus pandemic began and numerous "non-essential" businesses were shut down by Gov. Ned Lamont. At that point, officials had predicted a state budget deficit as large as \$900 million for the fiscal year that ended last June 30. But a stunning turnaround allowed the

state to finish with a \$39 million surplus at a time when many other states were experiencing major financial problems.

This year, the state is projecting a surplus of more than \$180 million in the current fiscal year. If recent trends continue, the state's rainy day fund for fiscal emergencies could reach \$3.7 billion later this year.

Some of the factors in the state's performance include strong budget management, paying down pension debt, Gov. Ned Lamont's ongoing debt diet with less borrowing, and the bipartisan volatility cap that prevents the legislature from spending excessive tax collections from Wall Street and requires the extra cash to be put into the rainy day fund.

Wooden said the state needs to continue the fiscal practices of the past two years.

"It's a message that says, 'Stay the course,' " Wooden said. "Connecticut is steadily moving in the right direction."

The new bond rating "reflects the state's continued commitment to numerous governance improvements that have already borne fruit in the accumulation of significant budgetary reserves and good financial performance through the pandemic," Moody's said. The improved rating reflects Connecticut's high income and wealth, which offset "a lagging economy and recent consecutive years of population loss."

Moody's said it was critical for Connecticut to maintain substantial budget reserves due to "the state's heavy debt and retiree benefit liabilities, which are among the highest of the states."

Lamont said the new rating was another sign of "Connecticut's comeback" after years of budget deficits and excessive borrowing on the state's credit card.

"We are a national leader in combating the COVID-19 pandemic, and due to our wise investments, robust savings, better-than-anticipated revenues, and

generous federal support we are emerging as a financial leader among the states,” Lamont said. “We have also been committed to paying down our long-term pension liabilities and been prudent in our budget management, as we ended the last fiscal year in surplus and are projected to do so to the end the current fiscal year.”

After years of bad budget news, Connecticut had an upgrade in its financial “outlook” from Standard & Poor’s in 2019 for the first time in 18 years.

Wooden said that was a good sign that continued.

“Absent the pandemic, we may have been on the verge of an upgrade last year,” Wooden said.

At a time when other states are suffering downgrades in their ratings or outlooks, Connecticut is headed in the other direction.

Senate Republican Leader Kevin Kelly of Stratford and deputy leader Paul Formica of East Lyme issued a joint statement that said that financial controls that were written into the law when the state Senate was tied at 18-18 have paved the way for the state’s current success.

“The bipartisan budget crafted in 2017 that implemented historic cost and savings controls is now bearing fruit,” they said. “Working collaboratively and including Republican ideas created policies that surpassed expectations and put our state on better footing for years to come. We all want Connecticut to succeed and today’s good news certainly shows what we can do when all perspectives are respected and considered. Connecticut must maintain our fiscal controls and discipline moving forward. While today’s news is positive, top state economists have also warned that Connecticut’s economy remains the worst performing in the nation. We have much more work ahead and clearly the best results come from bringing all perspectives together.”

March 30, 2021

State bets on renewable energy with shift in investment strategy



[By Liese Klein](#)

Wind and solar projects will make up a bigger portion of the state's investments under a shift in strategy announced today by state Treasurer Shawn Wooden.

The state has committed \$100 million to BlackRock Global Renewable Power Fund III (GRP III), a portfolio of renewable power generation infrastructure assets focused on wind and solar energy, Wooden reported.

The investment is Connecticut's first purely focused on renewable energy, Wooden said.

"The commitment to Blackrock GRP III will help position Connecticut to transition into the future by playing an increasingly important role in reducing overall carbon emission and becoming a leader in clean energy," Wooden said.

Wooden said his investment decisions were guided by the climate change positions of the Connecticut Retirement Plans & Trust Funds (CRPTF) Investment Policy Statement, which predict major economic disruption as soon as 2040 if greenhouse gas emissions continue at their current levels.

"By investing in renewable energies, Connecticut can be part of the solution to reduce our carbon footprint while also benefiting our economy and saving taxpayer dollars in the long-term," Wooden said.

Wooden also announced Tuesday that the state's Investment Advisory Council earlier this month approved proposed revisions to the CRPTF's domestic proxy voting policies, which are designed to ensure that the state's investments align with metrics that correlate with stronger company performance.

Wooden's revisions added provisions holding companies accountable for board diversity, climate risk and director independence.

"There is a mounting body of evidence that the diversity of a company's board of directors is an important attribute of a well-functioning board, an indicator of sound corporate governance, and positively correlated with increased shareholder value," Wooden said in announcing the revisions.

‘Accountability is an important component’: CT treasurer challenges pharma execs’ pay

Paul Schott_March 26, 2021 Updated: March 26, 2021 4:04 p.m.

Connecticut Treasurer Shawn Wooden has opposed compensation packages for executives at large pharmaceutical firms such as AmerisourceBergen in light of litigation related to those companies’ alleged role in the U.S. opioid crisis.

Connecticut Attorney General William Tong has sought accountability from the pharmaceutical industry for its alleged role in the opioid crisis through litigation such as the state’s lawsuit against Stamford-based Purdue Pharma, the maker of OxyContin.

Connecticut has waged a long legal battle against OxyContin maker Purdue Pharma — but its push for accountability from the pharmaceutical industry for its alleged role in the opioid crisis does not end there.

State Treasurer Shawn Wooden is also taking action, using the state’s investments in some of the country’s largest pharmaceutical firms as a tool to demand greater accountability from their top officials. Among his recent initiatives, he has garnered major shareholder support in his pushback against multimillion-dollar compensation packages for executives of distributing giants such as AmerisourceBergen.

“It’s about fundamentally preserving and enhancing value in terms of our investment,” Wooden said in an interview. “In that, we believe accountability is an important component.”

Last month, Wooden and Rhode Island General Treasurer Seth Magaziner filed a letter with the U.S. Securities and Exchange Commission, calling on AmerisourceBergen shareholders to reject, with an advisory vote, a plan that entailed payouts for certain executives that they said were “significantly above target.” The compensation included \$14.3 million for AmerisourceBergen CEO Steven Collis — a year-over-year increase of 26 percent, according to Wooden and Magaziner.

Wooden and Magaziner took exception with the executives’ compensation in light of Chesterbrook, Pa.-headquartered AmerisourceBergen recording last year \$6.6 billion in charges related to the settlement of lawsuits alleging that it helped fuel the opioid epidemic.

“In this case, you have behavior that not only is harmful to the company reputationally and financially, but there’s also significant pain and suffering caused by this (opioid) crisis,” Wooden said.

Through investments for its retirement plans and trust funds for public-sector employees, Connecticut holds about \$2 million worth of AmerisourceBergen shares and 250,000 company-issued notes with a 2.8 percent interest rate.

“I don’t think it speaks well for the AmerisourceBergen board, charged with oversight here, not to hold the CEO accountable,” Wooden said. “With this compensation package, I think it exposes the company and shareholders to future reckless behavior by executives. At the end of the day, that harms value for us — and that’s why we have significant issues with it.”

The scrutiny of AmerisourceBergen’s conduct during the opioid crisis reflects the size of the No. 10 company on last year’s Fortune 500 list. It recorded 2020 fiscal-year revenues of about \$190 billion, up about 6 percent from 2019.

Losing the vote — but encouraged by result

Despite the opposition, the executive-compensation plan was passed at AmerisourceBergen’s annual shareholders meeting on March 11.

“AmerisourceBergen welcomes and values feedback from investors. The company remains focused on strong financial stewardship to the benefit of our shareholders while delivering collaborative and innovative solutions for all stakeholders,” Amerisource said in a statement this week. “AmerisourceBergen will also continue to work to achieve resolution of opioid matters in a way that seeks to meet the needs of patients, providers, our company and investors.”

In a recent SEC filing, the company said that “the overwhelming majority of our executive pay program is performance-based or at-risk.”

Corporate-governance experts such as Laura Casares Field were not surprised by AmerisourceBergen’s position. Lowering pay could be interpreted by shareholders as an admission of guilt even though pharmaceutical companies such as AmerisourceBergen have not admitted wrongdoing in their settlements.

“It’s a balancing act,” said Field, who is the interim director of the John L. Weinberg Center for Corporate Governance at the University of Delaware. “You don’t want to look bad to your shareholders, but why would you punish the CEO if you said you didn’t do anything wrong?”

Wooden said that he was encouraged that 48 percent of AmerisourceBergen shareholders rejected the “say-on-pay” proposal, a type of vote that is advisory.

Not including Walgreens Boots Alliance’s nearly 28 ownership stake, an estimated 72 percent of shareholders voted against the executive-compensation plan, according to Wooden. WBA comprises one of the world’s largest purchasers of prescription drugs, with a portfolio that includes Walgreens, Duane Reade and Boots.

In the 10-year history of its previous 10 say-on-pay votes, AmerisourceBergen had averaged more than 95 percent stockholder support and had never had a vote with less than 90 percent approval, according to its SEC filing.

Among voting results in 2019, only 9 percent of companies’ say-on-pay proposals gained less than 70 percent of shareholders’ support, according to data from Semler Brossy Consulting Group.

“Here we got to 48 percent, which is huge for this type of proposal,” Wooden said. “When you add in the fact that close to 30 percent of the shares are held by essentially an insider, Walgreens, this certainly sends a major message to the board of AmerisourceBergen, as well as to other executives beyond AmerisourceBergen.”

Among related actions, Wooden and Magaziner filed last October a letter with the SEC, calling on shareholders of another of the country’s largest pharmaceutical-drug distributors, Cardinal Health, to reject an executive-compensation proposal that included a \$2.5 million bonus for its CEO. Cardinal agreed in 2019 to pay \$5.6 billion to settle opioid-related claims.

Cardinal’s pay proposal passed too, but 38 percent of shareholders rejected it.

Wooden and Magaziner are members of Investors for Opioid and Pharmaceutical Accountability, a coalition of 61 investors representing more than \$4.2 trillion in combined assets under management, which engages with manufacturers and distributors of prescription opioids and other drugs.

“Mr. Wooden’s actions probably will force other pharmaceutical companies to think more about their positions on executive compensation,” Field said.

At the same time, Attorney General William Tong continues to press Connecticut’s claims against companies implicated in the opioid crisis. He is one of 24 state attorneys general who have rejected the settlement offer made by Purdue Pharma and its owners because he sees the plan as insufficient for tackling the epidemic.

Democrats Wooden and Tong were both elected to their current positions in 2018.

“I welcome Treasurer Wooden’s national leadership on this matter,” Tong said. “Those responsible for the death and devastation of the opioid epidemic should not be rewarded.”

Overdoses involving opioids killed nearly 47,000 people in the U.S., in 2018, according to the U.S. Centers for Disease Control and Prevention. Prescription opioids were involved in 32 percent of those deaths.

In 2020, 1,273 people in Connecticut died from opioid-involved overdoses, up 13 percent from 2019, according to state data.

“My perspective is different from the attorney general’s,” Wooden said. “But it has all the same underlying fact pattern in terms of the behavior that we’re seeking to change, as we require accountability for bad behavior.”

As U.S. Corporations Face Reckoning Over Prescription Opioids, CEOs Keep Cashing In

Imagine you're part of a project that goes horribly wrong at work, causing a scandal, costing your company a ton of money, maybe even putting people at risk. Now imagine after that kind of performance your company rewards you with a raise and a bonus.

Critics say that's happening right now with CEOs at big drug and health care companies tangled up in the opioid crisis.

"When leadership fails ... the board of directors have to be willing to hold their executives accountable," said Shawn Wooden, Connecticut's state treasurer.

His job includes investing state pension funds and other taxpayer money in firms that include some of the nation's biggest drug makers and health corporations.

Wooden believes executives at some of those companies made risky decisions, leading their firms deep into the opioid business.

More than [450,000 Americans have died from opioid overdoses](#) since drug companies began making, distributing and selling large quantities of prescription painkillers.

Now many firms face a tsunami of opioid lawsuits, have filed for bankruptcy, or find themselves on the hook for billions of dollars in settlements.

But Wooden says CEOs and other top executives keep getting rewarded.

A company loses \$6.6 billion, a CEO is rewarded

Wooden points to a recent shareholder fight over compensation for Steve Collis, CEO of AmerisourceBergen since 2011.

The health services giant agreed to pay Collis \$14.3 million for his work in 2020, a 26% raise. In that same year [his firm reached a tentative \\$6.6 billion opioid settlement](#) with state and local governments.

Wooden said that one opioid loss “nearly wipes out a decade, a decade’s worth of the company’s profits.”

He argues when calculating Collis’s pay, the company’s board should have factored in the loss along with the “reputational harm and the societal harm” caused by AmerisourceBergen’s opioid business.

AmerisourceBergen has admitted no wrongdoing as part of its settlement talks.

In a statement to NPR, a spokesperson for the company said Collis was compensated appropriately based on the “pay-for-performance principle that executives should be rewarded when they deliver targeted financial results.”

But the company acknowledges that when calculating Collis’s performance, its board first excluded “litigation-related expenses.” Which means the whole opioid mess, everything related to “legal or compliance costs” was wiped from the ledger.

Despite objections by [Wooden and Rhode Island state treasurer Seth Magaziner](#), a narrow majority of the company’s shareholders voted earlier this month to approve Collis’s compensation.

Collis isn’t alone. [CardinalHealth, also on the hook for an opioid settlement](#) worth roughly \$6.5 billion, [gave CEO Michael Kaufman a \\$2.5 million bonus](#) in 2020.

Purdue Pharma CEO sees bonus after company guilty plea

Critics in Congress say one of the most troubling cases of drug executive compensation involves Dr. Craig Landau, CEO of Purdue Pharma, maker of OxyContin.

Landau has been an executive with the firm since the late 1990s and stepped into the top job in 2017. While admitting no personal wrongdoing, [he's named in dozens of opioid lawsuits](#).

In 2019, [Landau led Purdue into bankruptcy](#) and then [last year his company admitted committing federal crimes](#) linked to opioid sales.

Despite that track record, Purdue Pharma's board rewarded Landau with a bonus worth nearly \$3 million, a decision approved by a federal bankruptcy judge.

In December, while appearing before a congressional oversight committee, Landau faced calls to give the money back so it could be distributed to creditors and people harmed by the opioid epidemic.

"Will you forego this \$3 million bonus you're taking out of the pockets of the people who should get that money from the bankruptcy court?" asked Rep. Raja Krishnamoorthi, D-Ill.

"I have already made — willingly made — significant monetary concessions in order to move the bankruptcy process forward," Landau testified.

"So the answer is no," Krishnamoorthi said. "You want those \$3 million at the expense of those opioid victims. Shame on you, Dr. Landau, shame on you."

Landau voiced regret for the harm caused by OxyContin and again said he had done nothing wrong personally.

In a statement to NPR, Purdue Pharma praised Landau's leadership and said he was compensated appropriately.

"Despite unprecedented headwinds, Dr. Landau has led the company and delivered results for its many stakeholders," the spokesperson said.

Shareholders hurt by opioid reckoning

Charles Elson, an expert on [corporate governance and ethics at the University of Delaware](#), said this kind of executive compensation at companies embroiled in a public health crisis leaves a bad taste.

“No matter how thick you slice it, it’s still the same old baloney,” Elson said, noting it is common for American corporations to reward executives with hefty bonuses even when things go wrong.

According to Elson, the financial pain for losses, like these billion dollar opioid settlements, typically gets passed along instead to average Americans who own stock in these companies.

“The shareholders are not simply a group of people on Wall Street, the shareholders are in fact all of us who were damaged as well,” Elson said. “I think that’s why it’s galling to see [executives] rewarded.”

‘Remember to vote!’ The CEO’s \$14.3M pay at drug distributor AmerisourceBergen inspires dueling campaigns

CEO Steve Collis was paid \$14.3 million in 2020, a 26% bump from the previous year. The pay raise was based on calculations that did not factor in an opioid settlement charge.

by [Catherine Dunn](#)

Published

Mar 10, 2021

As [AmerisourceBergen](#) prepares to face investors at its annual meeting Thursday, [the pharma distributor](#) is locked in a campaign battle with dissident stockholders over its CEO’s paycheck, after the company said it would shoulder a \$6.6 billion loss to settle opioid litigation.

CEO Steve Collis, who also is board chair, [was paid \\$14.3 million in 2020](#), a 26% increase from the previous year that included a \$2.5 million cash bonus, according to securities filings. The payout was based on calculations that did not factor in the opioid settlement charge.

To some investors in the Chester County firm, it was a glaring omission — and they are urging fellow investors to send a message of rebuke, by voting against the company’s “say-on-pay” resolution.

“The company and its shareholders will take a hit for the worst write-off in the company’s history, totaling \$6.6 billion in a settlement that will wipe out nearly a decade’s worth of the company’s total profits,” Connecticut state treasurer Shawn Wooden said in a statement. “The company’s board should demand greater accountability from its top executives, and certainly shouldn’t reward them with extraordinary compensation.”

Wooden and Rhode Island state treasurer Seth Magaziner are spearheading the vote “no” campaign as members of Investors for Opioid and Pharmaceutical Accountability (IOPA), a coalition of asset managers that oversee more than \$4.2 trillion.

While say-on-pay votes are not binding on companies, they are not ones that companies want to lose, either. AmerisourceBergen, [based in Chesterbook](#), has a decade-long record of winning support at 90% and above for its executive comp plans. Last week, the company circulated more materials to persuade investors that it made the right call.

Collis has served as CEO since 2011, presiding over a period when the company’s annual revenue has more than doubled — from \$80 billion in 2011 to almost \$190 billion last year.

The outcome of the vote is “particularly meaningful this year as management led the company through a comprehensive and effective response to COVID-19,” AmerisourceBergen said in a March 4 [securities filing](#), under the heading “Remember to vote!”

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In another letter [filed with regulators](#) last week, the board’s compensation committee said including litigation-related expenses to calculate pay “would not have been the appropriate approach.”

The company “has measures in place intended to ensure that its compensation policies do not incentivize unnecessary risk-taking,” said spokesperson Lauren Esposito, “which is why in fiscal 2020 AmerisourceBergen’s CEO received long-term equity incentive awards that accounted for nearly 70% of his total compensation.”

The performance metrics were designed to encourage executives to make decisions, “including those related to the ongoing opioid litigation,” without

worrying that those decisions could affect their pay, she said. The goal is to “promote long-term value creation,” Esposito said.

Over the last several years, thousands of local governments and other parties have sued AmerisourceBergen and its two rival distributors, along with drug makers and pharmacy chains over the opioid epidemic. The suits claim that distributors did not uphold their responsibilities to flag suspicious orders, as prescription painkillers flooded communities across the country. The companies have denied wrongdoing.

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At the same time, shareholders in the IOPA coalition have pressed firms in the opioid supply chain to create more oversight at the highest corporate levels. They have asked companies to produce reports on board oversight of opioid risks (which AmerisourceBergen did), as well as to split the role of board chair and CEO, for example. (AmerisourceBergen has said it [will do so](#) when Collis retires.)

“It’s our job to push them to see that they find better ways of doing what they’re doing,” said Tom McCaney, associate director for corporate social responsibility at the Sisters of St. Francis of Philadelphia. With “the distribution of opioids, there are people’s lives at risk.”

Last year, the International Brotherhood of Teamsters pushed a shareholder proposal on deferring executive bonuses to a vote at AmerisourceBergen — where swaying a majority of fellow investors can be challenging, because Walgreens Boots Alliance owns more than a quarter of the stock. The proposal [was defeated](#), though it had high support excluding the Walgreens shares.

All three major drug distributors are now in talks with state attorneys general, including Pennsylvania’s Josh Shapiro, to pay a combined \$21 billion under a proposed settlement. To reflect the estimated costs,

AmerisourceBergen booked a \$6.6 billion charge in its 2020 fourth-quarter financials. The company said it would recognize a “tax benefit” on the loss, taking the cost down about a billion, to \$5.5 billion.

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“We believe that this is an important step toward resolution, which would allow our business and our people to focus on performing our vital role in the healthcare system, which has been clearly on display during the COVID-19 pandemic,” Collis told analysts in November, according to an [earnings call transcript](#).

IOPA members, however, seized on what they view as a disconnect between the loss and Collis’s compensation.

The “massive opioid charge is inexplicably swept under the rug when it comes to calculating executive awards,” Wooden and Magaziner said in a February filing.

Their position has backing from two influential firms that advise investors on how to vote, Institutional Shareholder Services and Glass Lewis, which both recommended voting against the payouts at AmerisourceBergen.

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The Connecticut and Rhode Island treasurers waged a similar campaign against executive payouts at drug distributor Cardinal Health last fall. That initiative gained momentum, and captured about 39% of shareholders’ votes.

Members of Congress are also [demanding answers](#) from the big distributors about tax benefits and other aspects of the proposed opioid settlement. Letters to the companies, from the House Committee on Oversight and Reform, followed a disclosure by Cardinal Health that it planned to recuperate some losses from the opioid settlement by using a provision of pandemic-

relief legislation. The financial maneuver was [first reported](#) by the Washington Post.

Esposito said: "AmerisourceBergen has no plans to use the CARES Act tax provision with regards to any opioid settlement costs."

Committee members, who want a response by March 18, also asked AmerisourceBergen to identify any employees who were disciplined or fired for misconduct related to opioid sales, as well as for the company's plans to make public internal documents it produced during the opioid litigation.

The company spokesperson did not comment on those aspects of the letter.

Health & Pharma

Investors in drug distributor AmerisourceBergen reject a challenge to CEO's \$14.3M pay

At the firm's annual meeting, investors could say if they agreed or disagreed with the CEO's \$14.3 million pay – after the firm set aside a big opioid settlement. BlackRock voted against the pay plan.

by [Catherine Dunn](#)

Published

Mar 12, 2021

Shareholders at drug distributor AmerisourceBergen lost a [challenge to the chief executive's pay package](#), as a proposed opioid settlement is expected to cost the company billions.

At the company's annual meeting Thursday, investors had a chance to say whether they [agreed or disagreed](#) with the CEO's \$14.3 million compensation package for 2020 by voting on a so-called say-on-pay resolution.

CEO Steve Collis received a 26% raise and a \$2.5 million cash bonus in a year when the Chesterbrook-based corporation also took a \$6.6 billion hit to its books, in preparation for a potential opioid settlement with state attorneys general.

A majority of shareholders voted in favor of the pay package for Collis, the company confirmed.

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[AmerisourceBergen](#) did not immediately disclose the vote tally. In the run-up to the meeting, the company touted its record of winning at least 90% approval for the CEO's pay since 2011. Shareholders will be looking closely at this year's vote margins.

Connecticut state treasurer Shawn Wooden and Rhode Island treasurer Seth Magaziner led a campaign to reject the executive compensation, because it

was calculated by excluding the costs of the opioid settlement. That decision was tantamount to sweeping the costs “under the rug,” Wooden and Magaziner said last month.

At least one major investor also said “no” to the company’s CEO pay resolution: BlackRock, which owns 5.4% of AmerisourceBergen’s stock, as of a January securities filing. BlackRock voted against the company’s pay plan for “failing to sufficiently address the magnitude of the opioid settlement-related adjustment and its effect on executive compensation payouts” a spokesperson said Friday.

A spokesperson for Malvern-based Vanguard, which holds 8.3% of AmerisourceBergen’s shares, said it plans to release an explanation of how it voted next week.

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Say-on-pay votes stem from reform regulations after the 2008 financial crisis. The vote isn’t binding, and if a company loses, it doesn’t have to adjust the CEO’s pay. Still, the vote sends a message about whether shareholders are pleased with how the board is choosing to reward top executives, and the outcome could trigger more investor scrutiny of leadership.

AmerisourceBergen, one of the three major U.S. drug distributors, defended its payouts ahead of the annual meeting, saying its formula did not incentivize unnecessary risk-taking, and was designed to encourage “long-term value creation.”

Walgreens Boots Alliance owns 27.7% of the company’s stock, and a Walgreens executive sits on its board — factors that help shore up AmerisourceBergen’s position on matters going to an investor vote.

The say-on-pay challengers are members of Investors for Opioid and Pharmaceutical Accountability, a coalition of state and local pension plans, faith-based institutions, and other asset managers. Collectively, the group oversees more than \$4.2 trillion worth of investments, and has pressured drug companies to change pay practices.

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The Sisters of St. Francis of Philadelphia are members, as is Philadelphia's public employee retirement system, and the Pennsylvania treasury, under former treasurer [Joe Torsella](#) and current treasurer Stacy Garrity.

"While we were not part of this particular action due to the transition between treasurers, treasurer Garrity does not think a \$6.6 billion settlement to address costs related to prescription drug overdoses and deaths warrants a \$14.3 million pay package," a spokesperson for her office said.

Companies are permitted to wait several days before disclosing shareholder vote results in securities filings.

In a statement, Connecticut's treasurer said the vote tally will be the "true measure" of how investors viewed the company's executive pay.

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"Executives shouldn't be rewarded when a company and its shareholders take such a big hit, nor should they profit off of an American tragedy that devastated millions of families and cost the U.S. economy more than \$1 trillion over the last two decades," Wooden said. "I am eager to know the tally of the vote, and in particular how many votes outside of the control of its largest shareholder, Walgreens Boots Alliance, were cast against the pay package."

AmerisourceBergen spokesperson Lauren Esposito said the company “values feedback from investors” and will “continue to work to achieve resolution of opioid matters in a way that seeks to meet the needs of patients, providers, our company, and investors.”

The company’s board and management are keeping “a keen focus on our comprehensive and effective response to COVID-19,” Esposito said.

Distributors are the middlemen between drug manufacturers and the pharmacies and hospitals that dispense medications. Collis, who is also chairman of the board, has served as AmerisourceBergen’s CEO since 2011. Under his watch, annual revenue has grown from about \$80 billion to \$189.9 billion in 2020. The stock price has approximately tripled since 2011.

During Collis’ tenure, AmerisourceBergen and the two other large distributors have all come under scrutiny for their role in the opioid supply chain. Thousands of local governments and other organizations have sued pharmaceutical companies over the opioid crisis, claiming that distributors did not report or stop suspicious orders of addictive painkillers.

The distributors have denied wrongdoing and continued to defend against the allegations, while also negotiating a potential \$21 billion global settlement with state attorneys general, including Pennsylvania’s Josh Shapiro.

AmerisourceBergen included the estimated settlement costs in its financials for 2020. Last week, board members on the compensation committee said they did not believe it was “appropriate” to include those costs when determining executive pay.

CT state Treasurer Wooden calls for passage of Baby Bonds bill

By **Phil Hall**

-

March 29, 2021

State Treasurer Shawn T. Wooden has called on legislators to pass House Bill 6659, An Act Concerning the Establishment of the Connecticut Baby Bonds, which he said would bridge wealth disparities within the state.

The Baby Bonds program is designed to provide all Connecticut residents born on or after Jan. 1, 2022, and whose birth was covered by HUSKY Health with a savings account starting at \$5,000 at birth. The account would be managed and invested by the treasurer's office until the participant is 18, at which point the individual can use the accumulated funds for either educational purposes, a home purchase, an investment in a business or allocation to a retirement savings program.

Wooden added that if one assumed a 6.9% rate of return, which the state uses for investment of pension funds, the beneficiary could have at least \$16,618 when the funds are claimed. Beneficiaries will have up until their 30th birthday to apply to claim the funds.

The Baby Bonds program was inspired by the proposed federal American Opportunity Accounts Act, a bill introduced by U.S. Sen. Cory Booker (D-NJ) and Rep. Ayanna Pressley (D-MA) in 2020 and reintroduced in February.

“One of the most effective ways to narrow the racial wealth gap and break the cycle of poverty is for the state to establish saving accounts that directly invest in children born into poverty,” said Wooden. “By taking bold action now, we can change the life trajectories of thousands of Connecticut residents while also enhancing the economic trajectory of our state.”